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THESIS
THE CONTROL OF BUSINESS IN A FASCIST STATE

by
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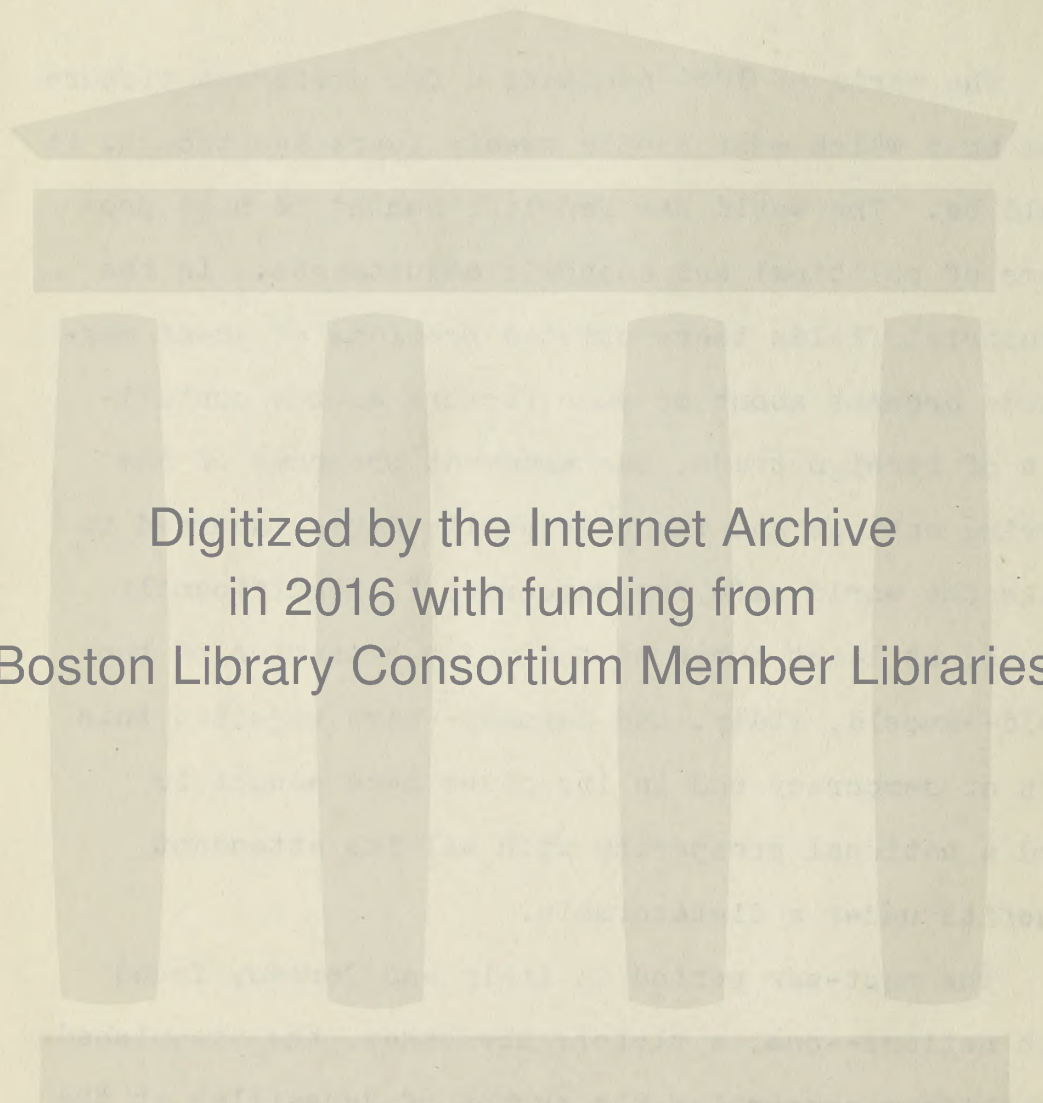
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THE CONTROL OF BUSINESS IN A FASCIST STATE

The world of 1939 presents a far different picture from that which most people twenty years ago thought it would be. The World War had left behind it huge problems of political and economic adjustments. In the industrial fields there existed problems of great magnitude brought about by such factors as the curtailment of foreign trade, the armament programs of the warring nations and the huge public debts incurred to "make the world safe for democracy." Significantly enough, at least three of the major countries of the world--Russia, Italy, and Germany--have rejected this gift of democracy and in its place have sought to find a national prosperity with all its attendant benefits under a dictatorship.

The post-war period in Italy and Germany found both nations--one, a victor; the other, the vanquished--very bitter concerning the errors of Versailles at the close of the war. In Italy a fortuitous combination of circumstances: a very weak form of parliamentary government, the agitation of the Communistic forces and the opposition of the Socialists, the opportune appear-



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ance of a strong man like Mussolini, all conspired to overturn the existing regime and introduce a new political economy--Fascism. In Germany Adolf Hitler, aided in many ways by identical circumstances, was struggling to power. The Weimar Constitution, which has been called the most democratic organ of its kind in the world, was supported by an administration that was far too weak to cope with the enormous problems of its time. The Marxist communism which had triumphed in Russia was fighting to become established here also. In the midst of the uncertainty and clash of opposing political opinion Hitler was gradually increasing his power, rising to the Chancellorship in 1933, and bringing to Germany under the banner of the National Socialist German Workers Party (National-sozialistische Deutsche Arbeiterpartei) its present Fascist state.

At this point it might be well to look briefly at this new philosophy which can in no way become aligned with the

"democratic principles and concepts as exemplified by the United States. Its proponents frankly admit as much. They say that our kind of democracy has been outmoded by modern industry, mass pro-

duction and mechanized life; that it cannot withstand the impact of such gigantic enterprises as have developed through the liberties it tolerated; that attempts at regulation have failed and will continue to fail and that there is no choice but to make the state supreme."¹

Its proponents further call attention to the increasing extent of government intervention in the United States and the other leading democracies of the world. But they have not stopped at pointing out to us the attributed progress of the democratic strongholds toward their new religion. They have actively campaigned to bring it to us. That they have made some measure of progress no one will deny. And

"Germany and Italy have shown that a real trend of popular mentality toward collectivism will wipe democracy out--and, moreover, should wipe it out according to its own principles."²

It is patent, then, that Fascism may no longer be identified only with one or two nations of the world. "It represents a new world psychology, as

¹Tracy, M. E., Our Country, Our People, and
Theirs, 1938, p. 1.

²Ashton, E. B., The Fascist: His State and His
Mind, 1937, p. 244.

profound, complete, and comprehensive as our own ideology of Democracy."¹ As such, it is diametrically opposed to our capitalistic structure. It is the purpose of this discussion to examine this new philosophy: not primarily as pertains to a study of its concepts and principles, but in its actual workings. It is proposed to investigate business under its rule, to determine how the economic structure is transformed in a Fascist state, and to examine the present measures of control which allow business to function as it now exists in this totalitarian regime.

To understand what the Fascists are attempting in their economic reconstruction it is also necessary to understand just what this new philosophy teaches. The layman in this country has been watching the turn of events in Italy and Germany with considerable interest, but with his knowledge gathered from the well-seasoned sources of the newspapers. And most of this has naturally affected the parade of inter-national happenings

¹Gracchus, G. S., The Renaissance of Democracy, 1937, p. 1.

and complications. His attention has been absorbed in what has taken place, and he has devoted little or no time to an understanding of the Fascist doctrines. Certain of these are inextricably bound up with the Fascist economic program. Before we attempt an examination of the actual measures of control now being employed, it will be to our advantage to study these fundamental and pertinent tenets.

While there are several countries of the world which are under the influence of this new political and economic totalitarian dogma, and, indeed, whose political administrations are partially or totally aligned with Fascism, there will be no argument that Italy and Germany are its chief supporters. They are now the only nations of major classification that have adopted it. They were its originators, and it has been from these two states that the new political economy has gone out. For the control of business in a Fascist state we will therefore limit any examination to the situations as they exist in these two nations.

For an understanding of these economic mechanisms in their present form a brief initial consideration of the history of these states has seemed desirable. The ascendancy of the Fascist Parties to a position of power in their respective nations was not an overnight

transition. They developed slowly, and during their development many of the principles which they were subsequently to employ were evolved. For this reason it is also desirable to trace in some detail the history of the rise of the Fascist Party in Italy and of the National Socialist German Workers' Party in Germany, and to look at the measures which they employed to establish their respective regimes. From there we will proceed to an actual examination of the economic structure. Many of the features of our own system of capitalism have been retained, but in many other aspects salient characteristics have been rejected. In many instances full government subsidization and nationalization has taken place. There is no form of business that has entirely escaped the control of the totalitarian forces in power. These measures and regulations will be considered thoroughly.

It is inescapable that some conclusions as to the success or failure of Fascist economy will be drawn. However, it is neither our prerogative nor our purpose to attempt to forecast the eventual outcome of this struggle between the forces of Capitalism under Democracy and the forces of Collectivism under Fascism. In fairness to the latter it is far too early to attempt such a diagnosis. Italy, the first of the nations to

attempt to organize itself on a corporate footing, is now only in its sixteenth year under Mussolini. 1934 saw the institution of a radically new corporate set-up in his country. He, himself, recognizes that it has been impossible within this short time to become fully organized in the most desirable manner. He admits that they are blazing a trail by the method of trial and error. Germany has had less time to organize than has Italy, being ten years in point of time behind its sister Fascist state. Despite a program which has been more vigorous, and in some ways more effective than that of Italy, Hitler has constructed thus far only a framework for the finished product. Nevertheless, at this early date some conclusions are becoming evident. Some situations and conditions in the business and industrial fields are admittedly conceded to be the result of the Dictators' programs and of their measures of control over the economic structure of the countries. It will be the purpose of this discussion to set these results down, contrasting them wherever it is feasible within the bounds of scientific accuracy with the principles of Capitalism and Liberalism.

GENERAL PERTINENT TENETS AND PHILOSOPHY OF FASCISM

There have been a number of descriptive terms applied to the Fascist State. We may constantly hear Italy or Germany referred to as a Totalitarian State or a Corporate State, or find a reference in discussions to their collectivism, syndicalism or nationalism. All of the political and economic doctrines which these expressions embody may be set forth, for the purposes of this discussion, in a few fundamental tenets. It is these dogmas which have remade these two great nations; which under the strong hand of an inflexible dictator have revolutionized the philosophy and thinking of great masses of people within these states, and thus enabled each country to remodel its entire system of business and industry.

Nationalism.

The first and most dominant characteristic of this new religion is its intense and aggressive nationalism. "All other Fascist doctrines have sprung from a creed of fervid, passionate nationalism. Though Fascism makes no extraordinary demands upon the average Italian, the intense nationalism of the movement stirs him and makes him feel, as no other movement has done in the past, that he is a living part of the national

community."¹ The importance of the state is stressed at all times. Each member of the community is constantly impressed with the doctrine that the state is all important. Nothing matters but the state. He is taught that it accepts the individual only when its interests coincide with his. "The State is all embracing--beyond it no human or spiritual concepts can exist. . . . The totalitarian state should be the vehicle through which the higher concept of the nation finds external manifestation."² If there is any conflict of interests it is the individual who must always be subordinated to the welfare of the greater number.

"The state being all dominant, it follows directly that it must seek a form of national organization which shall hold the people together, both economically and politically, enable the nation to focus its national aspirations, and above all, furnish a means whereby the functioning of the various parts of the state can be coordinated and regulated as a unit."³

National unity is thus a component part of this dogma of fiery nationalism. To this end Fascism addresses itself to the masses. It has tried to free the state

¹Welk, W. G., Fascist Economic Policy, 1938, p. 243.

²Florinsky, M. T., Fascism and National Socialism, 1936, p. 59.

³Hullinger, E. W., The New Fascist State, 1928, p. 71.

from sectionalism and class strife. In the industrial field this is especially evident in its interdiction of strikes and lockouts, aimed at the achievement of industrial peace through arbitration and other means. The purposes and aims of the worker and of the employer are the same, the one is a follower and the other merely a leader. All are working for the state. Therefore they should be unified in purpose and any class differences are actually non-existent.

This Fascist doctrine of nationalism is the well-spring of the entire philosophy. E. B. Ashton in his book The Fascist: His State and His Mind, summarizes very well this all-important tenet, quoting directly from Benito Mussolini:

"To Fascism the world is not this material world, as it appears on the surface, where Man is an individual separated from all others and left to himself, ruled by a law of nature causing him through his instincts to lead an egotistic and momentary life of pleasure. Man in Fascism is individual, nation, and country all at once, and is thereby a party to the moral law which binds individuals and generations together into a tradition and a mission, and which, in suppressing the instinct of a life, enclosed in a short cycle of pleasure, bases a higher life. . . . on duty. . . .

"According to its anti-individualistic attitude the idea of Fascism is for the state, and for the individual in so far as he coincides with the state. . . .

It is against the classical Liberalism which had its origin in the force of reaction against Absolutism, and which has reached the end of its historical function, since the state has changed in the consciousness and will of the people. Liberalism negates the state in the interest of the single individual. It is for the only freedom which can seriously be considered--the freedom of the state, and of the individual within the state,--because for the Fascist, everything is in the state, and outside of the state nothing legal or spiritual can exist, or still less be of value. In this sense Fascism is totalitarian, and the Fascist state is unity and synthesis of all values and gives to the whole life of the people its meaning, development, and forcefulness."¹

Hierarchy--Authority

Having proclaimed the supremacy of the nation and the state, the Fascist nations found themselves confronted with the problem of a form of government. Actually there was no problem, for they had no choice. A nation in which the state is supreme must reject democracy and a democratic form of government. This in turn forestalls any possibility of a parliamentary body. On the other hand, if there is to be national unity and the state is to be supreme, there must exist at the top some voice of authority. Fascism thus leads its proponents directly to a hierarchical form of gov-

¹Ashton, E. B., The Fascist: His State and His Mind, 1937, p. 34

ernment--a state founded on the principle of authority. There must be absolute authority of the leaders over those below, and absolute responsibility of subordinates to those above. Thus it was that Mussolini and Hitler had to assume complete power.

"Instead of (to take an extreme example of a democratic structure) having the people elect many little representatives who elect and control the top fellows who run the country, and of making every representative responsible to the men who elected him, the Fascists simply reversed the process. They put up a single supreme head of the state; he appoints a few big officials, each of whom appoints a great many smaller ones, and so down. . . , and every official is responsible not to the people whose affairs he administers but to the official who appointed him."¹

Thus a superior official has tantamount to supreme authority over all those beneath him. No alignment or agreement of subordinates may hold out against the decision of their immediate superiors. The Dictators naturally have their advisory councils, Italy its Fascist Grand Council and Germany its Cabinet which exercises the powers of the former Reichstag, but it is still a fact that these are advisory and have no official word or power. By this new form of governmental organization we find that the privilege of the vote is a saga

¹ Ashton, E. B., The Fascist: His State and His Mind, 1937, p. 36.

of the past regime. In its place is substituted the use of authority. Governmental decision is changed to command--the word of the higher authority is now an order from which there is no appeal. The power of the leader is now as strong as that of the most absolute monarch of other days.

But to institute a hierarchy of this sort is to presume that the great masses of people which constitute the nation will accept it and follow its bidding implicitly. This brings up the problem of discipline. Under Fascism it is now taken much as a matter of course.

"Control of positions by appointment and decision of questions by command should alone suffice to insure ready obedience. The Fascist idea of discipline, however, is much more comprehensive than that to which we are accustomed. It involves an unswerving purpose of mental coordination, of surrender of individual consciousness, and of devotion, without reserve, of every activity of body and mind to the collective will. Fascist discipline means the complete voluntary adjustment of an individual to a group, the change from an independent human mind to an intellect capable of working in a group and through a group, and toward a goal not chosen individually but always common to the whole community The coordination is really not only natural, but voluntary; For the Fascist the function of making up his mind has simply been removed from his brain. He has to wait until he gets his mind made up from above, and then he keeps right on going and concentrates all his energy and intelligence on carrying out this will--his will."¹

¹Ashton, G. B., The Fascist: His State and His Mind, 1937, p. 37.

Of course this submission by the masses to the will of the state was not without opposition, especially during the first few weeks and months of the new regime. It required then (and still requires) constant measures of propaganda, supervision, and correction. Some of the more recalcitrant who refuse to submit were eliminated in the purges; others found that they were taught in German concentration camps or Italian colonies. The majority of the educational program has been concerned with the youth of the two states, and here, after years of infusion with Fascist doctrine the best results have been obtained.

The application of this doctrine of hierarchy, authority and discipline to the problem of this study--the control of business--is self-evident. For the proper coordination of the tenets of nationalism with its thesis of "through the common good to individual interest" and hierarchy with its attendant theses of authority and discipline, the only sort of economic system which could be evolved is a totalitarian one in which every activity of business may be supervised and rigidly controlled if the need arises. Thus economic activities must be guided by social organs which represent the interests of the community and are themselves directed by a leader who if necessary will use force.

The development of this postulate is fulfilled in the evolution of the Corporate or Syndical Fascist State:

"The Corporate State itself is to be built up on the basis of harmony of economic relations within capitalism. . . . Two main changes are necessary: firstly, to break down anti-state political organizations and feelings; secondly, to build up in each man the feeling of responsibility for his job."¹

It means, in essence, a state-controlled and state-subservient economy, in which employers and employees are to "collaborate with equal rights in the interest of production--but recognizing the existence of a contrast between their material interest." Ashton claims that there is at this point a departure by National Socialism from the idea of the Corporate State as it is declared by Italian Fascism, in that the Germans deny any inherent capital-labor conflict, while the Italians admit it but attempt to overcome it. To quote:

"The aims of either structure are identical; the Corporate State, too, has the principal objective of eliminating, in the interests of national solidarity, the class division which capitalism is apt to bring about. The entire difference is one of technique. The Italians--though they deplore the contrast between material interests of employers and employees and seek to avert its natural consequences--utilize it as a means of economic organization. The Germans, on the other

¹Pascal, Roy, The Nazi Dictatorship, 1934, p. 116.

hand, organize economic production hierarchically and authoritatively like any other national interest--and consider capital-labor conflicts as irregularities in fact, which must be ironed out in practice but have no claim to dogmatic recognition. Each system seeks to overcome the normal capitalist trend toward class struggle; the first attempting to straighten it out after first using it as a structural implement--the other preferring to remove it right at the source."¹

Capitalism.

It is evident from the foregoing quotation that Fascism retains some of the characteristics of a capitalist economy. In truth, the Fascist states are an evolution of capitalism, since all of them started out with such an economic structure. The basic principle of Capitalism which the totalitarian powers claim to have retained in their economic system is the preservation of private property, private ownership, and operation of the means of production, and the right of private initiative. The Fascists go a step further, however, and assert that such prerogatives are also a public duty.

"Fascism recognizes the fundamental function of private property, no longer in the liberal sense of the right to enjoy and dispose of wealth in the most absolute manner, but understood as a social duty."²

¹Ashton, E. B., The Fascist: His State and His Mind, 1937, p. 94.

²Tassinari, G., Fascist Economy, 1938, p. 22.

"Corporate economy respects the principle of private property. Private property completes the human personality; it is a right and therefore an obligation. So much so that we think it should be viewed as a social function."¹

How then does Fascism reconcile this attitude toward business and industry with its avowed intention of maintaining a rigid control over all the activities within the state, The answer lies in the contention that private ownership and initiative are public obligations. Again, they interpret the idea of duty in the light of their thesis of everything directed to the welfare of the state. For this purpose they admit that measures of propaganda and education may be necessary. And if this does not succeed in enabling the business man to see the light, then, say the Fascists, it is the duty of the state to intervene:

"He who directs business should have the responsibility for it and it is legitimate that he should derive profits. . . . and suffer the consequences of his mistakes. . . . The only thing necessary is to ennoble this egotism by proper education. . . . that private welfare should always give way before the general welfare and that superiority of output also implies an obligation to the community."²

¹Mussolini, B., The Corporate State, 1937, p. 32.

²Lichtenberger, H., The Third Reich, 1937, p. 233.

And,

"It is only when various categories fail to come to an agreement or to establish the proper balance that the State may intervene, although the State always has the undisputed power to do so."¹

It is plainly evident from the above that the state has obtained limitless latitude for intervention as it sees fit. It has also been the experience in Italy and Germany that the state has exercised this power. The right to run one's own business has been officially eliminated by the state. Ironically enough, this has proven to be the fate of not only the small business man, but also the big industrialists who supported the respective movements in their struggle towards political triumph. It is true that many of the leaders of "big business " have been retained in high positions of authority--they had to be. Even Hitler and Mussolini could not get along without their administrative and technical genius. But it is clear in many cases, that while they may be better off than the small business man and independent concerns, their hands have been effectively tied by an innumerable number of regulations and a very rigid control of finance and banking.

¹Mussolini, B., The Corporate State, 1937, p. 33.

They no longer have any possibility of helping to "run the show."

"From a position in which, although targets of frequent and popular attacks and generally professed distrust, they wielded tremendous actual power, they. . . step into the place universally acclaimed front-rank fighters of a battling nation, coddled with flattery and bribed with government contracts--and with the privilege of mending their backstage influences, and doing what they are told. Moreover, this aspect of the change is never generally known--because some of the victims are too stupid to realize what is happening to them, and the others are too scared of being suspected of non-conformity if they speak out, even in private."¹

One mitigating influence may exist. Both Hitler and Mussolini recognize that the advance of government in the field of business may eventuate in such a rigid control that all semblance of independent enterprise would be lost, and that bureaucracy would result. Neither man wants this. They much prefer that private individuals assume the risks attendant to any business operation--risks greatly heightened by strict regulation of wages, prices, and profits. They still profess to realize the essential part that the profit motive should play in the efficient management of the means of production, although--in Germany especially--

¹Ashton, E. B., The Fascist: His State and His Mind, 1937, p. 115

the amount of profit is strictly limited and any excess is automatically "loaned" to the government. It is not our place to forecast just how much of a brake this realization may be, nor to predict just where government intervention will stop. But at present independent business in the conception of capitalism, has become a contradiction of terms within the Fascist states. .

This is the vision of the Fascist State. To accomplish it the political machine of the party has been extended and enlarged to bring about the integration of its functions with a huge economic machine designed and constructed to regiment all of business and industry. In Italy a system of actual corporations was instituted in 1934. In Germany close coordination was brought about by the establishment of Reich Ministries of Economics, Finance, Commerce and so forth and with the organization of a number of subordinate bureaus and departments. The Corporate State being predicated on a thesis of hierarchy and authority, the men at the top, Mussolini and Hitler, have not only absolute control of the political, but also the economic organizations. How well they have followed the pattern of Fascism which they have designed, and which has been outlined in the preceding pages, is

another question. Such a program is conflicting in many points. The supreme authority which they possess has allowed them to further deviate as they will. Apparently the only doctrine which can be advanced to justify the whole contradictory plan is the ever-present "public welfare before private interests."

ITALY

The Fascist Rise to Power.

Early History. From the fall of the Roman Empire until the final defeat of Napoleon III by the troops of Victor Emmanuel in 1870 there had never been a time when Italy could be called a nation. Its early and medieval history was a story of city states--of the constant conflict and struggle for supremacy by a number of powerful federations in Milan, Genoa, Venice, and Florence. After the supremacy of these cities Italy went into an eclipse. The opening up of the Americas made the Mediterranean a back-wash of trade and activity. Where formerly this had been the most important realm of industry and commerce, with its ease of access to the ever-necessary East, the discovery and colonization of the new lands now became the paramount concern of the European nations in their struggle for supremacy. The sway and domination of the city-states waned, and with their passing went the influence of Italy in European affairs. For the next two or three hundred years she was continually the battleground for foreign armies, playing pawn with the Italian cities. The nineteenth century saw the stirrings among the masses for an independent state and political unity. Of

course, this could not be accomplished in a day. Success was finally achieved in 1870, and Victor Emmanuel reigned as constitutional monarch of united Italy.

Although nationality had been consummated, the new country was not to be envied. The union was very weak, civil uprisings were common for some time, and the period between 1870 and the beginning of the World War was exceedingly discouraging.

"The young nation had little popular tradition of unity beyond the legend of Garibaldi; differences of standard and outlook were very marked, and were enhanced by the exceedingly low level of education."¹

The weight of taxation to support the new government was for years an almost intolerable burden and the situation was not aided any by the armament races that existed among the European nations before 1914. Great amounts of money were spent prior to this time and during the war for her armies and navies, rather than for the development of her national resources in commerce, agriculture, and the useful arts.

With the advent of the World War, however, Italy began to develop into a unified state in fact as well as in name. The conflict had the effect of focussing the national consciousness and providing a common bond

¹The Economic and Financial position of Italy,
1935, p. 9.

between the peoples of all parts of the country. She tested her strength in conflict with the other great powers of Europe and "what she saw was good." Then came the Armistice with its attendant disappointment to the Italian people.

"While Italy received extensive territories in Europe through the peace negotiations at Versailles, she believed that she had received less than her due and that their economic value was slight. Thirsting for imperialistic expansion, she was bitter over the fact that she had obtained no share of the colonial empire of defeated Germany, and had been obliged to accept only a minor adjustment of her African possessions.

"Public wrath turned in reproach against the political regime. Francesco Nitti, who was then prime minister, was not capable to cope with the situation. He took over direction of the government at a time when a strong hand was necessary at the helm, and his was woefully weak. In addition to the popular bitterness and disillusionment at the outcome of the war, serious domestic, economic and political problems were left in its wake."¹

"The repercussion of the Russian revolution was strongly felt and communist propaganda was carried on without hindrance in all parts of the country and in all public services. Revolutionary strikes were almost endemic, and the revolutionary parties were rapidly becoming a serious menace to the stability of the state."²

¹Subsequent historical sketch taken from Fascism and National Socialism by M. T. Florisky, 1936, p. 2 ff., with additional material from other sources.

²McClellan, G. B., Modern Italy, 1933, p. 214.

These forces clashed often and openly with the socialist and government groups. In industry the general strike was a constant weapon of class warfare, and when these failed to yield the desired results, the workingmen assumed the right to seize the factories and emphasize their demands. In the Capitol, the King and his cabinet members found themselves supported by a complacent and corrupt bureaucracy, and impotent to control these disorders and strikes. Cabinet followed cabinet, and political leaders in all parts of the country rose to add their demands to the general tumult. Out from their midst appeared Mussolini, leader of a fascist revolutionary army, who in a few short months succeeded in formulating a party and lifting it to a dominating position in troubled Italy.

The Rise to Power. The origins of the Fascist movement are found before the distressing post-war days in Italy and go back to the "Fasci d'Azione Rivoluzionaria" organized in 1914 by Mussolini with the aim of bringing the country into the war, an action which led to his expulsion from the Socialist Party. This early group had no distinct connection with the later army regimented by Mussolini primarily to meet the threat of communism which had been gain-

ing ground in the country in the face of an ineffectual government. While it was, in its post-war form, a struggle against "red revolution," the early Fascist movement was itself conducted by groups that were propounding very radical doctrines. At its inception it was primarily a protest against the feeble and inefficient government in power, and a strong defender of the country against the attacks of the Communist groups for having joined in the great war. At the outset, the movement was very much disorganized and uncoordinated. It had as many objectives as there were social groups which would support it. Local conditions and the personalities of local leaders had much to do in determining the form of organization and the immediate aims for which it fought. Its supporters were largely middle-class people, intellectuals, students, and to a lesser extent workers. It appealed primarily to the youth of the nation with its parades, uniforms, and reckless revolutionary raids.

Much as any other local leader, Mussolini founded at Milan in March, 1919, one of these Fascist groups. Like all the rest, it had no particular program except the one to be found in its name, Fascio di Combattimento, which meant the

defense of the interests of the "proletariat of the trenches." Until 1921, Mussolini was very radical in his stands on public questions. He advocated the transfer of land to the peasants, eight-hour work days, participation of labor in management problems, confiscation of eighty-five per cent of all war profits, etc. Naturally, when he entered the political ring in November of 1919, these demands for sweeping social changes turned the majorities against him and he polled only a few thousand votes. He merely redoubled his efforts to fight the Socialists who were then in power; before another year had passed, events in the troubled country began to work in his favor. Fear for a duplication of Russian Bolshevism under the banner of Italian Socialism, increasing industrial difficulties and tyrannies of local governments all conspired to arouse the nation against the party in power. Mussolini, of course, had been fighting them for a long while, and many of the people, reasoning thus, began to gather under his banner. With increasing strength in his party, he increased his attacks on the Socialists. He organized his Fascisti into squadrons under leaders of their own, and for the next two years conducted a semi-revolutionary campaign, with almost daily open

conflict between his men and the Socialists. The police and Government maintained a "hands-off" policy, which on more than one occasion seemed to favor the assailants. The prime minister himself, whose political policy was one of expediency, began to seek the favor of this new movement, even going to the extent of dissolving Parliament in March, 1921, and calling for a new election. Here for the first time, Mussolini and his followers won an important victory, seating some thirty-four members in the new governing body.

With the advent of some measure of political success, Mussolini astutely realized that the time had come when he must make more than a spontaneous, decentralized movement of his Fascisti. Therefore, at a Congress in Rome in November, 1921, the Fascist Party was officially organized.

"At the Rome Congress the party program was duly accepted. In the traditional and involved Fascist phraseology it spoke of the Nation and the State, denounced Socialism, praised labor, and declared itself in favor of economic liberalism on the ground that the economic activities of a nation must not be handed over to the control of bureaucratic agencies."¹

¹Florinsky, M. T., Fascism and National Socialism, 1936, p. 14.

Here, too, Mussolini introduced for the first time the dominant principles of hierarchy and leadership, organizing the Party into almost military elements under the strictest of discipline, and calling for complete allegiance to the Party and its Leader, the Duce. To further defeat the fast-slipping Socialist Party, Mussolini began in 1921 to seek the support of the powerful trade union groups which had been the backbone of the opposition. Fascist unions began to spring up over the country, obtaining much success, especially among the poorer elements of labor.

It is here at this congress in Rome that we begin to find the first foundations of the corporate system as it was later developed. In addition to the principle of hierarchy mentioned above, we find declarations that the state should be an organ for the safeguarding of the supreme interests of the nation, that Parliament should be limited in power, and that

"corporations should be encouraged as the expression of national solidarity, as a means for developing production, but that they must not submerge the individual by arbitrarily leveling his capacities."¹

The Fascist trade unions were also organized in Janu-

¹Counts, Villari, Rorty, Baker, Bolshevism, Fascism, and Capitalism, 1932, p. 72.

ary, 1922, into a confederation of Fascist syndical corporations, comprising five national corporations, and, in a revolutionary move, including the middle and intellectual classes.

As the year 1922 went along, a steady procession of events was fast precipitating a political showdown and the collapse of the Socialist regime. The new elections had brought about the absence of any parliamentary majority, with a subsequent impotence within this body to accomplish anything constructive. One political crisis followed another, while within the cabinet there was a continual procession of new ministers, portfolios being merely shifted from one man to another with a small clique. Outside of the capital the power of the Fascists was continually growing. Towns and communes were passing under their control almost daily. The external pressure from these communities upon the powerless central authority was constantly becoming greater. In August, 1922, the Fascists took over the city of Milan, completely routing any Socialist opposition. Later, Genoa, which had once been the central fortress of the opposition, fell before the Fascist advance, and the important Socialist publication, Il Lavoro, went up in flames. As time passed, it became more

and more obvious that something would have to be done to alleviate the situation and to permit the operation of some form of effective government. It was also evident that no compromise would be acceptable to this increasingly powerful new movement. It was merely a question of how its leaders were to achieve power.

The March on Rome. As the certainty that they soon were to reach a position of power became evident to the Fascist leaders, the question arose as to how it should be accomplished. Some of the more conservative favored legal means to obtain control of the government. They would have forced the resignation of the Socialist prime minister and his cabinet and formed one of their own. Indeed, while the Fascist armies were forcing the issue, Mussolini was offered the possibility of forming a coalition government; but recognizing the fact that his party was in complete control of the situation he decided to carry the issue to its logical conclusion. In opposition to the conservative element in the Fascist organization, a radical group favored open insurrection, and a march on the capital. This suggestion naturally made a strong appeal to a great number of Mussolini's followers, largely composed as the party

was of the younger element. Pressure for this dramatic step grew until the end of September, when the "March" was decided upon.

The revolution began as a historical fact with the calling of a Fascist congress in Naples on October 24, 1922. By this time Mussolini had changed his attitude toward the king, declaring that the monarchy could have no object in opposing what "must now be called 'the Fascist revolution.'" On the twenty-sixth of October the actual march began, reaching and occupying the city on the thirtieth with very little bloodshed. Previous to this, on October 27, the prime minister had presented a decree calling for the establishment of martial law, but Victor Emmanuel, realizing the futility of the measure, refused to sign it. Upon reaching the city, Mussolini was called in by the king to whom he submitted the list for his proposed government. It was immediately accepted, and amid scenes of extraordinary fervor he was installed as prime minister. The next day, fearing lest his army get out of hand, he ordered its withdrawal and demobilization. The revolution was over and he was in complete control of the power.

Solidification of the Fascist Regime. Although Mussolini had obtained full control of the government

by his revolutionary tactics, he had not entirely done away with all opposition. In spite of his stated aversion to democratic forms of government and despite his openly asserted favoritism of a hierarchial regime, he began his official career as head of a coalition. His first cabinet was made up of members of several political groups, though he proceeded to handle them in most cases as he willed. His first concern was to consolidate his regime. This necessitated not only removal of the opposition but also a close scrutiny of the ranks of the Fascists themselves. To this end he soon dissolved the fighting units of squadrons with which he had attained power and in their place established a permanent militia whose chief duties are the defense of the regime, the preservation of order in the realm, and, above all, strict obedience and fanatical devotion to the Duce.

In the reconstruction of the administrative branch of the government he proceeded somewhat differently. Shortly after coming to power, he called together the legislative chamber and told it that he possessed the power to dissolve it and govern without its authority, but that he preferred to ask for unlimited dictatorship for one year. By means of intimidation this was granted to him. Various methods

of pressure were now employed to persuade former office-holders to surrender their places to men who were favored by the Fascist powers. In other cases governing bodies were merely set aside and not consulted any more. Changes in the election laws were also effected, insuring to Mussolini further consolidation of the political strength in the hands of his party. To assist these changes in the power of vote the Militia was mobilized and intimidation and corrupt practices were widely employed.

Despite the success of these measures a troublesome minority was returned to the Parliament, a minority that was destined by its own recalcitrance to effect its own suppression. Prominent among the Socialists who had been returned in the elections was a wealthy and influential Roman who would not be repressed. Shortly after having openly and bitterly denounced the Fascists in a speech before the Chamber of Deputies he disappeared. His body was found several days later and a number of high Fascist dignitaries were implicated in the murder. The opposition press became exceedingly violent in its denunciation of Mussolini and his immediate subordinates, while the Socialist Deputies finally refused to even sit in the Parliament. Mussolini, after making several

attempts to conciliate these minorities and quiet their criticism in the press, finally decided that the time had arrived when he must crush all possible opposition. He declared open war, ably assisted by a Chamber of Deputies from which all opposing forces were removed. The press also was silenced, and at the same time freedom of speech, and of meeting and assembly was forbidden.

Mussolini was now determined to set himself up in an absolute rule. For this purpose he established special courts to deal with opinions and expressions unfavorable to the regime. Far-reaching changes in the administrative organization, both locally and centrally, were instituted. A drastic reorganization of the provincial set-up was introduced, with territorial divisions under the supervision of the loyal Fascist leaders who are directly responsible to the central authority in Rome. Elected mayors were replaced by nominees of the Ministry of the Interior. Elective provincial and municipal councils were abolished and replaced by advisory committees satisfactory to the head of the party. Throughout the nation a strict policy of centralization has been instituted, making every municipal and regional division closely responsible to Rome. The effect that

this has had in the control of business should be largely apparent and will be revealed more fully below.

The central government itself underwent an even greater readjustment. The King, who had been largely a figurehead before this time, was deprived of any vestiges of power that might have remained. Nominally he is still king. But his retention in that position is merely a gesture to Italy's historical tradition and to the Fascists' desire for prestige. The Duce is the actual leader, and indeed, the only leader in the nation today. He is a supreme dictator. It is true that he has a cabinet, but it is a cabinet which has no authority, one whose only function is to advise when asked, and to obey when not asked. The supreme legislative and deliberative body, in theory, was instituted in 1928, the Fascist Grand Council, and is merely the framework through which Mussolini operates. Parliament as a functional body was replaced by this Council, and although the Chamber of Deputies is still in existence, to what purpose nobody knows.

It is plain that the power which Mussolini has received is as complete as it could possibly be.

"Through his instrument the Grand Council, he may by decree repeal, amend or enact any law he pleases. The state is so centralized that there is no public official who is not directly under superior authority in Rome, and who is not immediately

removable. Opposition parties and groups having been abolished, the press being entirely governmental, and the interpretation of what constitutes sedition being extremely liberal, serious hostility to or criticism of Fascism are impossible. . . . The Duce never offered to give Italy democratic institutions. What he did promise was to give Italy the place to which she was entitled in the family of nations and to start her on the road to financial and economic prosperity. . . ."1

An examination of the measures which he employed to fulfill these promises remains to be considered.

The Economic Structure and Present

Measures of Control.

Although the Fascists came to power in 1922, Mussolini at that time had developed no program of industrial and economic coordination of his own beyond the general principles of rigid nationalism and hierarchy which he had continually declared during his political rise. True he had organized his own Fascist trade union, or syndicates, but this was as much to combat the supremacy of the Socialists in the labor field as it was to develop the corporate idea. The strength of these syndical organizations naturally increased with the might of the party in the ensuing years, as did also the power of the General Fascist Confederation of Industry which was

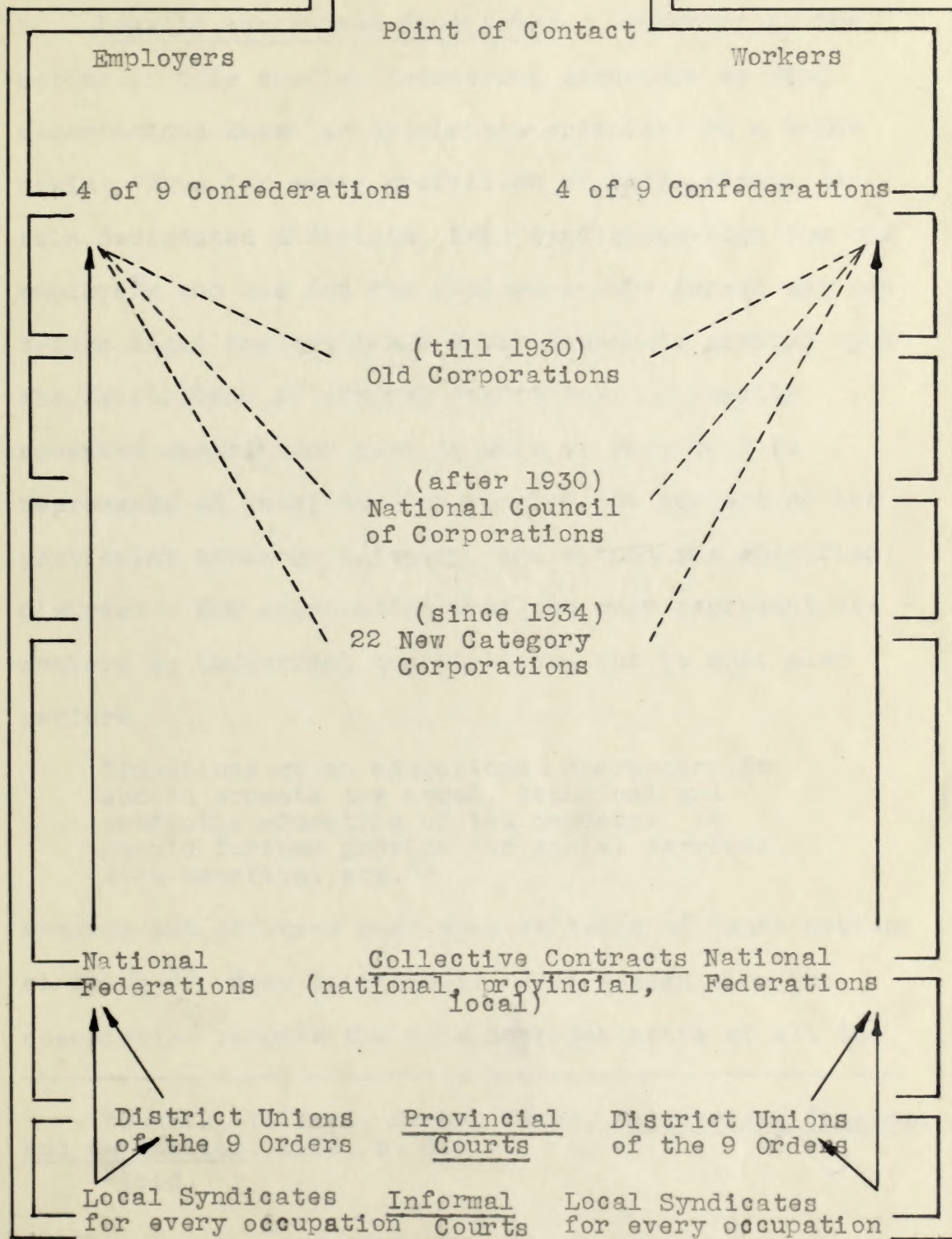
¹McClellan, G. B., Modern Italy, 1933, p. 251.

organized. Primarily, however, the Duce's concern for the first few years was for the consolidation of his political regime. It was not until 1926 that the first step in the construction of the Italian Corporate State as we know it today was introduced.

The Corporate Structure. As it is constituted today the corporate structure in Italy has been produced by a series of several law over a period of nine years. The first of these was enacted on April 3, 1926, relating to the legal regulation of collective labor relations, and is amplified by the Decree of July 1, 1926. Then followed the Labor Charter of April 21, 1927, which is actually not a law but a set of principles on which Italian labor legislation is based, or should be based, in the future. On March 20, 1930, appeared the Law on the Reform of the National Council of Corporations which for the first time formed an official link between the interests of business and the interests of labor. Finally the New Corporations Law, which had been awaited since it was promised in the Charter of Labor made its appearance on February 5, 1934. By this series of laws the existing labor system and the Italian Corporate State have been set up. To explain the system thus established, it is preferable to set down the main insti-

STATE : PARTY

Ministry of Corporations



tutions on which it is based, rather than to attempt to examine each of the legislative steps one by one.

Legally recognized Syndicates. Starting at the bottom of this complex industrial structure we find associations known as syndicates organized on a trade basis. Thus for every profession or trade within certain designated districts, twin syndicates--one for the employers and one for the employees--are formed and may secure legal recognition. A Royal Decree is granted upon the fulfillment of several conditions. A legally accepted association must be able to show that it represents at least ten per cent of the workers of its particular trade or category, and within the specified district. The association must not only represent its members in industrial negotiations, but it must also perform

"functions of an educational character; it should promote the moral, technical and patriotic education of its members. It should further provide for social services, sick benefits, etc."¹

Members and officers must show evidence of "sure national faith."² When it receives legal recognition the association becomes the sole representative of all the

¹Counts, Villari, Rorty, Baker, Bolshevism, Fascism, and Capitalism, 1932, p. 81.

²Ibid.

workers within its category, whether they are members or not. It also has the right to assess all workers for dues to meet the expenses of the organization.

It should be noticed that non-official syndicates are not expressly forbidden. However, as they carry no weight before the law and may not legally represent their members, they have almost ceased to exist. The advantages of membership in official syndicates are obviously so much greater, that it is probable that within a few more years all de facto organizations will have vanished.

The purpose of the whole system of corporate agencies in Italy was to do away with labor troubles and class conflict. The chief function of the recognized syndicates therefore becomes the negotiation of collective labor contracts, affecting the best possible arrangements for their members in the light of the Fascist doctrine of the "welfare of the nation before the interests of individuals." When it is impossible to reach a satisfactory conclusion to both the interests of capital and labor, their respective syndicates may carry the issues before the Labor Courts which have been especially designed to settle such disputes. Decisions by these bodies are final. Under no consideration is class warfare with its

attendant labor strikes and industrial lock-outs permitted.

The syndicates also have the entire control of employment. Offices are attached to the local workers' syndicates. Employers are required to hire through these bureaus, and workers must register with these offices when they become unemployed. Heavy fines are the penalties for infractions of these regulations. Employers are also required to accept the workers who are sent to them by the employment office, preference naturally being shown to Fascist Party affiliates.

Provincial Unions, National Federations, National Confederations. The local syndicates are in turn grouped under larger organizations, forming the basis of a pyramid which comprises provincial or district unions, then national federations and finally national confederations. As in the local syndicates a twin organization is set up, comprising two such pyramids--one for the employers and one for the workers. Obviously the purpose of these larger organizations is the pursuance of affairs and interests beyond the scope of the local groups. The national federations are comprised of provincial syndicates of workers or employers engaged in the same form of industrial activity. The member of national confederations, however, has been

limited to nine since the Law of February 5, 1934. Thus there is one national confederation of employers and one national confederation of employees for each of four major fields of particular activity; i. e., for industry, agriculture, commerce, and banking and insurance. The ninth national confederation comprises a similar organization for artists and professional men.

"Each confederation has the following organs:

"1. The national congress, composed of delegates of the various provincial and interprovincial associations forming a part of it, selected for each congress in numbers proportionate to the number of members of each member-association and in accordance with its statutes. The president, the members of the governing body of the confederation, and the heads of the national unions and syndicates, are de jure members of the congress. The congress meets every three years, or oftener if necessary.

"2. The governing body, composed of representatives of national category organizations and one representative of the National Association of War Disabled. The governing body carries out the decisions of the national congress and conducts business between meetings of the latter.

"3. The presidency, whose occupant is appointed by the congress and approved by the proper authorities."¹

These organizations constitute the main institutions for the representation of employers and workers

¹Counts, Vallari, Rorty, Baker, Bolshevism, Fascism, and Capitalism, 1932, p. 89.

under the Fascist economic structure. The principal function of the local syndicates was the conclusion of collective contracts between the associations of employers and employees. These functions and the corporate liaison organs which Mussolini set up to facilitate such negotiations remain to be studied. While it is obvious that strict regulations have been imposed upon the syndicates and confederations, making them entirely subservient to the political elements in Rome, it is through these latter organizations that Mussolini has achieved the fullest control of business.

Collective Labor Contracts. Collective labor contracts are nothing new in this country or in Italy. Formerly, however, they were concluded over there only after long days of bitter wrangling and conflict, and too often it was the stronger party which dictated the terms. They were binding only upon those who had directly agreed to them, and very frequently circumvented if they proved to be unsatisfactory. Today this is the compulsory means of negotiation, since strikes and lock-outs are prohibited. These contracts are binding not only upon the members of the syndicates but also upon all workers of the specific category affected. They are applicable to the whole of Italy and thus even the

most backward areas are affected.

For contracts to be valid they must fulfill certain conditions. They must have been stipulated by the properly qualified associations and in the proper form. Sometimes the consent of corresponding associations above them is necessary. The contracts generally must be comprehensive in their application to all the workers engaged in any particular pursuit, and they must give some assurance that they are so drawn up as to insure a measure of permanency in the relations of the affected parties.

In general, these contracts cover the customary matters such as its own duration, disciplinary regulations, wages, hours of work, methods of payment, weekly holidays, annual vacations, cases of dismissal through no fault of the worker, the transfer of a business from one employer to another, the treatment and relief of workers in case of illness and of absence on account of military service.

The Ministry of Corporations in Rome, which is directly answerable to Mussolini, must give his approval to the labor contract and it must be published before it becomes a valid instrument. While collective contracts have become the official means of negotiation between the interests of the workers and of the manage-

ment, private agreements are not entirely precluded. However, to be acceptable these agreements must be not less favorable to labor than is the existing collective contract.

Labor Courts. The primary purpose of compulsory collective labor contracts has been the elimination of class strife and warfare. Fascism has always contended that strikes and lock-outs and other similar differences between the interests of management and workers are nothing less than high treason to the state and an elevation of the welfare of individuals over that of the nation. It was realized, of course, that no system, no matter how perfect, could do away with labor disputes entirely, and that there would be many occasions when the syndicates would not be able to reach an agreement concerning a contract. Direct action by management and labor being precluded, the Fascists proceeded to introduce an entirely new mechanism into the problem of industrial relations, i. e., Labor Courts. These institutions are attached to every district court of appeal and consist of three judges. The judges are assisted by two experts selected from a list approved by the government.

Conciliation is always the first procedure in any dispute. This element is strongly stressed, and

it is only when a decision cannot be reached through the mediation of the associations or of the Ministry of Corporations that these Labor Courts are resorted to. Even when disputes come before the courts, a final attempt is made to reconcile the differences before legal measures are taken.

The Labor Courts judge in cases where difficulty has arisen in the conclusion of a collective labor contract. They may also rule between different categories of workers and employers concerning the observance and application of laws, and on provisions arising out of a modification of the terms of a contract when demanded by either side. Where the law is clear they must judge accordingly. They are, however, fundamentally courts of equity. Therefore there arise many cases where they must decide problems of fair wages and hours (always bearing in mind the necessity of a living wage to the worker), the economic ability of the producer, and always the primary interest of production and the national society.

Decisions of the Labor Court are binding on all parties concerned. It is regarded that they have had ample opportunity to reach a decision by conciliation, and having failed, they are required to accept

the decisions of the courts. Controlled as they are by political superiors, it is the opinion of several writers that these courts too often decide cases with political considerations foremost, instead of giving the proper attention to the economic interests and problems involved.

The Corporations. The system of syndicates, provincial unions, national federations, and national confederations, as it has been outlined above, is obviously one of vertical organization for the workers and for the employers. Points of contact are established in the subordinate associations by means of collective contracts, and where these have not been concluded, by the Labor Courts. It is evident that it would be impossible to extend these measures to the broad national federations and confederations where problems of national scope and general policy preclude such implements. To solve this problem the Fascist State invents the fundamental organ of the Corporate State--a system of nine liaison associations designed to coordinate all the factors and interests of production with the primary interest of the state.

The National Council of Corporation first appeared as an Advisory body in 1926, under the Minis-

try of Corporations. From this time on we find references to the corporation and to the purposes for which it was to be constructed. The Decree of July 1, 1926, mentions the corporations as a means of uniting the "national syndical organs of the several factors of production," and describes it further as an organ of state administration constructed for the purpose of "promoting, encouraging, and subsidizing all initiative which is designed to coordinate and improve production." The charter of Labor, published in 1927, also describes the corporations as associations which

"constitute the unifying organization of the elements of production (capital and labor) and represent the common interests of all. By virtue of this joint representation, and since the interests of production are the interests of the Nation, the Corporations are recognized by law as organs of the State."¹

In 1930, by the Law of March 20, the advisory status of the National Council of Corporations was altered and this body was created as the first official link between the syndicates of the employers and the syndicates of employees. Mussolini, as Minister of Corporations, became its head. The Council exe-

¹Einzig, Paul, The Economic Foundations of Fascism, 1934, p. 126.

cuted advisory and regulatory powers for three years, after which time it was decided that further reforms and an even more powerful organization was necessary. For this purpose the Law of February 5, 1934 was created. Here for the first time the long-promised corporations were authorized, and under the provisions of the law put into effect. By this law twenty-two corporations were set up, covering every phase of economic activity. Their purpose, as was mentioned above, is to assure uninterrupted and coordinated national production, organized in the most efficient and satisfactory manner to secure the national welfare. Or, as Mussolini defines them, the corporations are

"instruments which, under the aegis of the State, carry out the complete organic and unitarian regulation of production with a view to the expansion of the wealth, political power, and well-being of the Italian people. . . . The number of Corporations to be formed for the main branches of production should, on principle, be adequate to meet the real needs of national economy."¹

Mussolini continues to declare that the general staff of each corporation should include representatives of the state administration of the Fascist party,

¹Mussolini, B., The Corporate State, 1937, p. 9

of capital and of labor. He assigns to the corporations the tasks of

"conciliation, consultation (compulsory on problems of major importance), and the promulgation, through the National Council of Corporations, of laws regulating the economic activities of the country."¹

Specifically the council of each corporation is under the direction of a member of the Duce's cabinet, a secretary attached to the State department, or the Secretary of the Fascist Party. This president is the appointee of the Head of the Government, who is also chairman of the National Council of Corporations. Member representatives are elected by the associated confederations, but they must be approved by Mussolini after receiving the recommendation of the Minister of Corporations. The governing board of each corporation is assisted by a group of technical experts, as well as representatives of the Government and the Party.

While the confederations and other subordinate organizations represent the joint interests of an entire class of management or labor, the purpose of these corporations is to unite both groups in a particular branch of business or industry. For this pur-

¹Mussolini, B., The Corporate State, 1937, p. 9.

pose twenty-two separate corporations were deemed necessary.

"They were subdivided according to the 'cycle of production' into three classes: (1) corporations connected with agriculture, industry and commerce; (2) corporations connected with industry and commerce; and (3) corporations connected with the services."¹

The functions of these groups is to study conflicts of interest, possibilities of expansion, all possible means of an increase and improvement in production, and reduction of costs.

"The Council is also intrusted with the duty of coordinating the interests of the various branches of trade; this is a particularly important provision, and implies the settling of such conflicts as may arise, as for instance between agriculture and industry, or between two or more rival industries."²

The possible extent of state intervention in business under such a system is limitless. The Fascists, however, have steadfastly maintained that they were not discarding the principles of private ownership and private initiative in favor of an extreme nationalism.

Signor Bottai, former Minister of Corporations, said in 1929 when he was proposing the National Council of Cor-

¹Florinsky, M. T., Fascism and National Socialism, 1936, p. 92.

²Counts, Villari, Rorty, Baker, Bolshevism, Fascism, and Capitalism, 1932, p. 98.

porations that this body was to be a national organ of the state designed to hold the balance between the syndicates and private enterprise. He went on to say that private enterprise, syndical activity, corporate activity and state intervention were each essential to the proper coordination of Italian industry. Mussolini likewise has said that it is the purpose of the state to allow business and industry to pursue their own courses as long as the interests of the nation are not jeopardized, although retaining the right of the Government to intervene at any time that it should happen to choose to do so.

Despite these declarations, how great has been the necessity for effective control over the activities of business and industry is apparent from a survey of the political relations within the corporate system. At every phase the influence of the Fascist State is evident. The syndicates receive from the State the right of sole recognition for management and labor if they can show evidence of "sure national faith," although they may comprise only ten per cent of the workers of their category. A Royal Decree confers this right. Employment is entirely syndicalized. The collective contracts which the associations negotiate become the only instrument for bargaining of all of labor, and

even these contracts are subject to the approval of the Minister of Corporations and must be published in the official Gazette before they become active. National federations and national confederations are subject to similar measures of control. Thus both parties in labor disputes are represented in negotiations by presidents and secretaries who, although "elected," must also be confirmed in office by the Government. Judges in the Labor Courts are likewise political appointees. The experts who assist the judges are selected from carefully prepared lists of Fascist supporters. The National Council of Corporations has as its direct head the Minister of Corporations, which happens to be Mussolini. Each of the corporations in its turn must include representatives of the administration and of the Fascist Party on its general staff, and even the member representative of the interests of employers and employees must receive the sanction of the Ministry.

In this corporate system Mussolini has constructed an instrument for control of business that has no limit. By this machine state intervention becomes a continual fact rather than a policy of expediency. The power of the Fascist organization extends through its control of the corporate structure down to the smallest industrial concern and so-called independent retail store. While

the owner may still call his business his own, he no longer has the privilege of operating it in the way which to him seems most likely to return a profit. He must now be ever attentive to the primary concern of the Party and of the State, else he will soon discover that he has no business. "Big business" too has not escaped the control of the political interests. It has been regimented by the syndical-corporative structure as rigidly as has any other phase of industry. True that in many cases Mussolini has had to retain technical experts and business geniuses in positions which have allowed them somewhat more freedom, yet the corporate structure has adequately provided all the measures of intervention which the government has found necessary.

The coordination of business activities in Italy, in the form of the Corporate State, does not entirely complete the picture of the restrictive measures and prohibitions which have fallen upon industry, banking, and trade. It should be noticed at the outset that these supplementary regulations and restrictions are not an essential feature of the Fascist ideology, but have been necessitated in part by the economic crises which have existed throughout the world, and in part by the development of internal economic situations as Italy has attempted to achieve autarchy.

General Business. Ever since it first came to power the Fascist regime has been faced with one economic crisis after another, and the measures of combat which it has had occasion to employ are not entirely Fascist in their origins. Considering the fact that there already existed such a machine as the Corporate system ready for use, it is not surprising that many of the measures have been made to conform to the Fascist pattern since they first appeared. Others of these have not been expected to conform, but have through necessity been retained until economic security and autarchy, if it can be attained, have been reached.

An innumerable number of regulations and prohibitions have been necessary for specific businesses and industries since the advent of the world-wide depression of the past decade. Coupled to this factor, and of course greatly occasioned by it, have been declines in foreign trade and severe exchange difficulties. To combat these elements, further restrictions have been imposed upon various types of business pursuits such as importing and exporting and the industries dependent upon foreign raw materials.

Between the years 1926 and 1933 fourteen institutions were organized and have continued to remain in

force. The purposes of these organizations have been varied, and have concerned themselves primarily with the stimulation of business in specific fields. They have been designed, among other things,

"to promote exports, encourage industrial development, regulate and promote business, rescue the national silk industry, promote standardization and agreements in industry, support the textile, marble, rice, shipping, and sulphur industries, and liquidate frozen assets and industrial credits."¹

An innumerable number of institutions have followed, each with its own particular reason for existing. The result was a confusion of aims and interests, with a large amount of overlapping, and an entirely uncoordinated system.

Bureaucracy received a further impetus in the Italian state by a regimentation of some of the large-scale industries which amounted finally to direct compulsions. Apropos of this subject, Mussolini, in the face of the Ethiopian war, proclaimed the nationalization of large-scale industries working for war purposes, and in 1937 took over ship-building. According to decrees which were issued, iron and steel industries were required to unite into national combines, coal

¹Tracy, M. E., Our Country, Our People, and Theirs, 1938, p. 40.

and industrial metals were made state monopolies, and subsidization of many other industries and concerns in distress was consummated. In addition, holders of foreign securities were required to convert them into government bonds, stock dividends were limited, individual savings were used to support the national bond market, and export of Italian currency and securities was forbidden. Other new corporations were set up to stimulate theater and film production, to promote consumption of agricultural products, and to protect such other industries as the fisheries, vineyards and wines, the textiles, machinery and mines, and the professions and arts.

One of the most severe regulations was imposed by the Ministry of Corporations upon the industry in a decree which was published in 1934. By this edict, the government prohibited the building of new plants or the expansion of old ones, without the sanction of the Ministry. This regulation was designed to create markets--and not to curtail them--by preventing over-production and removing unfair competition. The government expects by means of this regulation to be able to tighten or relax its control of industrial development at will.

In the utility fields nationalization of business is more common. Most of the railroads were nationalized

before the Fascists came to power. In 1905 the government took over the greater lines in the country, leaving about one-fourth in the hands of private concerns. Since the advent of Fascism the trend has been toward complete government ownership, and the day is probably not too far distant when this will be accomplished. In the merchant marine, which was for a time at a very low ebb, the government has entered with a policy of subsidization, and has succeeded in restoring some measure of prosperity. Communications are both privately and publicly owned: the post, telegraph and cable services are owned and operated outright by the government. The telephone service was government-owned until 1923. At that time it was leased to private companies, except for a few international and inter-urban lines. In the field of radio the Fascist regime has developed the industry from its infancy. Although it was the home of Marconi, Italy had done little with radio up to 1927. At that time the government took steps to expand the industry. In 1938 there were sixteen long-wave and one short-wave broadcasting stations in the country. Where the government does not own and operate them outright, they are subject to rigid state control.

Banking and Finance. As we have already pointed out, the effect of the depression, together with the

attempt of the Fascists to achieve national autarchy, has been the major influence in determining economic and financial policies in Italy during the past few years. The measures to which they have had recourse are often no different from those which we have seen instituted in democratic nations. High tariff barriers, government subsidies for industries and shipping, export and import quotas, public works constructed by public funds, credit expansion, unbalanced budgets, and currency manipulations are not steps which have been confined solely to the Fascist states. But on the other hand, many of the measures which have been instituted in Italy have been designed to increase the control of banking by the political forces.

In the aftermath of the crash, the banks in Italy, as in other countries, were in dire straits. And, as elsewhere, the state stepped in to render assistance to them. This was in accordance with the fundamental Fascist principle of assuring the welfare of the public by state intervention. Several measures for this purpose were adopted. Besides assistance extended to individual banking concerns, the Government created two other financial institutions, the Istituto Mobiliare Italiano and the Istituto per la Ricostruzione Industriale. The first of these institutions is intended to relieve

banks of huge amounts of shareholdings of industrial concerns which they had acquired in pre-depression days. Although this operation resulted in the desired increase of the liquid resources of the banks, it largely led to a replacement of shares by government securities. It also made the state-controlled institution the shareholder of most of the leading industrial concerns of the country, thus providing another means of supervision. The second institution was created by the Government to provide additional funds for the refinancing of industrial enterprises, where banking resources had proved inadequate. When it was decided that private initiative in the sphere of banking was proving insufficient to meet the changing situations of the depression, the Italian government also considered it necessary to enter directly the financial field. To this end, it created a number of state and semi-state institutions to supplement the private concerns.

The Fascist regime also exerts a very close control over the entire sphere of banking through the intermediary of the Corporation of Banks and Insurance Companies. The authorities have used their powers in a dictatorial manner, and banks are sometimes required to follow a policy entirely opposed to the principles upon which they were founded. Although the banks are not

nationalized, the control by the state could hardly be greater if they were. Banks have been required to provide their surplus funds for support of the government bond market, and for the financing of public works undertaken by the Fascist regime. In the realm of foreign trade, control over holdings of foreign securities and currency has also been concentrated in the hands of the Bank of Italy, and, since 1935, in those of the Superintendent of Foreign Exchanges. Export and import licenses and the limitations of trade by quotas has also been found necessary.

With the present system, based especially on the laws of 1926 and the subsequent introduction of the corporate structure,

"the opening of the new banks or even of branches is subject to state authorization, which is not granted unless there be certain conditions with regard to capital and promoters. Operations of all kinds are controlled by special rules applying to the collection of deposits, the opening of credits, the building up of reserves, amalgamations and transformations. Periodical control is exercised by the Bank of Finance, who guarantee the application of the existing laws.

"Institutes of Agrarian Credit are subject to the control of the Ministry of Agriculture in virtue of the law of 1932. They are generally of limited size, but their task is an important one insofar as they collect savings from, and distribute credits to agriculture, in districts far removed from banking and financial centers."¹

¹Marpicati, A., The Achievements of Fascism, 1935, p.44.

GERMANY

The Fascist Rise to Power.

Early History. The picture of a unified Germany begins with the ascendancy of the Prussian state under the illustrious leadership of its Chancellor, Bismarck, in the year 1871. Previous to this time Germany had been a land of hundreds of little states and principalities, each with their own ruling houses and leaders. Austria alone had been able to attain any degree of power, conquering some of the small neighboring states, and setting herself up as the center of an Austrian Empire. However, as the years wore on in the latter half of the eighteenth century, certain other of these principalities began to absorb their weaker neighbors and to attain positions of leadership. Foremost among these was Prussia, which under the discipline and hard work of the Hohenzollerns first assumed a challenging position to Austrian supremacy. At the turn of the century, Napoleon also added his contribution to the unification of the German state, conquering Prussia and scores of the smaller independent states and uniting them under his rule. After his defeat, this union held, setting the stage for the emergence of a unified Germany.

Bismarck became Minister President of the Prussian

government in 1862 and at once set about creating a powerful federation of the German states under Prussian leadership. His problem, he realized, was the opposition which France and Austria would offer. He therefore proceeded to pick quarrels, first with Austria and then with France. Defeating both opponents with remarkable ease, the way was now cleared for a unified German state. This was accomplished in the peace treaty at the end of the Franco-Prussian War, and on January 18, 1871, the German Empire was proclaimed, with William I, King of Prussia, as Emperor.

Between the years 1871 and 1914, Germany made prodigious progress on all fronts. Naturally a thorough and energetic people, they mastered the problem of sustaining a nation of sixty-five millions on the same area where, in the first part of the century, twenty-five millions had been poorly supported. German application and study of industrial problems was carried on with a diligence and concentration which has become a byword since that time. The nation was thoroughly industrialized and transformed from a poor agrarian country into a highly unified commercial state. Her scientists and scholars made discoveries that placed them foremost in their fields throughout the world.

She entered the colonial picture, acquiring a scat-

tered empire from among the few lands yet unclaimed among the nations. To protect this colonial empire she built up her merchant marine and her navy.

Proud of her progress in all lines, the German people began to develop a theory of nationalism and racial superiority which has remained until the present day and has become one of the vital ideologies of Hitler's regime. The idea that war has a civilizing effect fitted in well with this theory, so the Emperor further increased his navy and built up the army until it was the most powerful in the world.

Then came the World War. For three years it seemed as if Germany would win, before the change in fortunes came. America with her might in men and money joined with the Allies. Britain's blockade became more effective. At home and at the front the Germans were unable to get food and other vital supplies. The armies began to fall back. The navy was finally routed decisively in one huge engagement. Behind the lines disillusioned political leaders and a "worn-out" working group were talking revolution. In the face of circumstances defeat was certain, and Germany finally surrendered on November 18, 1918.

The Rise to Power. To understand how National Socialism was evolved it is necessary to realize the

conditions which existed in Germany at the time of the Treaty of Versailles and during the existence of the Weimar Republic which followed.

At the close of the War, the German people were stunned by defeat. For three years it had looked as though they were going to win. They had been taught this in their schools and churches and homes. Every family had members who had been killed or wounded at the front. Every family had sacrificed to the limit in food and other necessities to support the military machine. When affairs began to go against the army, this fact was kept from them until the last minute. It was not until the General Staff confessed its weakness and asked for the conclusion of an immediate armistice that everything in Berlin collapsed. Then it was that the truth of defeat first appeared to the people, although to them it still seemed impossible. It represented the crumbling of the entire world as they had known it. What the future could bring was as doubtful as the past had been vain. Under the stress of spiritual crisis and readjustment it was only natural to look about for excuses for defeat. Gradually they--and Adolf Hitler among them--evolved a more flattering explanation to offer: It was the traitors back home who had been responsible for defeat. The armies would have been invincible in battle.

It was the Socialists in the Government, and the Jews, who had sold out the country and brought about the downfall of the Reich.

Coupled with this spirit among the German people was the effect of the Treaty of Versailles. Under its provisions Germany was made to accept full blame for the war, she was saddled with heavy reparations, her armaments were limited, and her colonial empire was divided among the victorious Allies. Every nation had been allowed to register its demands; only Germany had had nothing to say. To a people who felt justified in the fight that they had waged, this was intolerable. It filled them with a hatred of the treaty and of the men who had drawn it up. The bitterness of defeat was intensified and the way was opened for the spreading of Communism and any other radical doctrines in the wake of disillusionment.

One of the provisions which the victorious nations had laid upon Germany was that it must repudiate the Emperor and set up a democratic form of government. The Kaiser had been exiled to Holland, and many other of the German princes had followed him across the border. In the days that followed, a constitutional assembly was called at Weimar and the republic formed. The document which this assembly produced has been called the most democratic in the world. Unfortunately it was foredoomed

to failure. The people had been too long educated in the ideology of the Empire to easily cast aside these doctrines and accept the institutions of democracy. The men who were asked to assume the leadership of the new republic had had little experience in public office. They were confronted with problems which would have been more than the most astute statesman would have sought. Hampered by the provisions of the Treaty, and pressed by the Allies to meet huge indemnities, Germany went from one crisis to another. Inflation set in and wiped out the savings of the middle and upper classes. Unemployment spread throughout the land and threw millions out of their jobs.

Politically the Social Democrats were incompetent to cope with all these problems. They were opposed by the German Communist Party which had been gaining in popularity as the dislike of the masses for the party in power increased. Looking about for support, the Social Democrats retained many of the officers and statesmen of the former imperial set-up. In Parliament political dissension grew. Instead of legislating the factions fought each other, and laws had to be decreed by the President and the Cabinet.

It was in the middle of this turmoil and disillusionment that the parties opposed to the Republic began to grow and gain supporters. Of these, the one which

grew the fastest, and eventually wiped out the Weimar Republic, was the party headed by Hitler, the National Socialist German Workers Party.

The beginnings of the Hitler movement go back to the days just after the war. Hitler, an Austrian German who had fought valiantly for his country, was bitterly disappointed at defeat. He continued to believe in the invincibility of the German army and maintained that it had been betrayed by the political interests at home. In the days after the war

"Hitler was apparently just another one of the millions of former soldiers, without money, without a real job. But he was also a burning patriot, and wanted to do something to make Germany strong. One night in 1919 he happened to attend a small meeting in Munich sponsored by a small local group--the German Labor Party. . . . Hitler was invited to join and accepted."¹

He now decided to take this little group in hand. He became its leader and on February 24, 1920, drafted a program of twenty-five points. This was the beginning of the present National Socialist German Workers Party.

The early growth of the new party was not spectacular. In 1923 it was but one of several such groups opposed to the policies of the party in power. In numbers it could boast of only six thousand followers. In

¹Stone, S., Shadow Over Europe, 1938, p. 39.

November of 1923 Hitler participated, with General Lunendorff, in a rebellion in Munich against the Reich. The putsch had no chance to succeed. When it was quelled Hitler was confined to prison and the Party outlawed. It seemed as though National Socialism had been wiped out of existence.

However this was not the case.

"Hitler came to the conclusion that he had committed two tactical blunders in the Munich revolt, and set about to remedy them. Henceforth, he determined to go more slowly and be sure of the means at his command; further, he decided that he had failed because he had used extra-legal means."¹

In order to win Germany it was necessary not to use force, but to gain the confidence of the people and be chosen by the vote of the nation as dictator. Accordingly, he reorganized his party upon his release from prison in 1924. Progress in the political field for the next five years was slow. In the elections of May, 1928, his party polled only 800,000 votes and won only eight seats in the Reichstag. Their ally, the German People's Party was practically wiped out. In 1929, however, the tide began to turn in his favor. The world crash which occurred this year sent the millions who were out of work in Germany into

¹Lichtenberger, H., The Third Reich, 1937, p. 26.

the ranks of the extremists. Hitler's sympathy for this group attracted many of them to his party.

The National Socialism of these days also attracted the youth of Germany. It had always maintained that it was a movement of young Germany;

"and, by 1930, the children of the war years had grown to manhood. They had grown up, too, at a time when the country, as we have seen, was passing through a period of extremely painful readjustment. They had lived through many hardships. . . . The militant character of the Hitler movement, its thrills and novelty, its uniforms, fist fights with the police and Communists, and all of its heroic trappings and phraseology appealed irresistibly to the German character. . . . In contrast with the venerable and aging Hindenburg and the mediocrity of the leaders of the Weimar Republic, Hitler appeared to many to be the man of Destiny."¹

Hence it is no wonder that the movement began to grow and assume proportions which, within a year or two more, made it a factor to be reckoned with in the Reichstag. In the elections for this body in September, 1930, the National Socialists obtained 6.5 million votes and 107 seats. With this first show of political might, Hitler's star remained in ascendancy. In the spring of 1932, he challenged Hindenburg for the presidency, obtaining 11.3 million votes, but losing out to the eighty-five year old war hero. From the July elections of the same year,

¹Florinsky, M. T., Fascism and National Socialism, 1936, p. 44.

however, the National Socialists emerged as far the strongest political party in the Reichstag. By this election they received 230 seats as opposed to the 133 which the Social Democrats obtained.

In the fall of 1932, they received a set-back when several seats were lost to the Communist Party. There followed anxious months when it seemed that the bubble was about to burst. But at the last moment, a group of industrialists, with whom the President was associated, and East Prussian landowners, who had misspent government funds and feared exposure, convinced Hindenburg that the country could only be saved from Bolshevism if Hitler were appointed Chancellor. Previous to this time Hitler had been offered the opportunity to participate in a coalition but had refused to join any government of which he was not the head. It was believed that he had missed his chance and that the party was now bound to fall to pieces. But such was not the case. Thanks to the intervention of these financial interests he received another opportunity, and on January 30, 1933, Hitler was appointed Chancellor of the Reich.

Solidification of the Fascist Regime. Hitler immediately proceeded to establish himself in his new position as leader of the German people. He declared war on the other political parties which had been opposing him.

"In a declaration at this time he states that the Marxist parties had been given fourteen years to show what they could do. They had destroyed the spiritual unity of the country, ruined the peasant class and brought terrible conditions of unemployment. He now proposed to remedy all of these evils and to restore a healthy financial and economic situation within the next four years."¹

His first step in this direction was to obtain from Hindenburg a decree calling for the dissolution of the Reichstag on the grounds that the nation should have the right to declare itself toward the new regime. A date for the new election was set for March 5, 1933. On February 27, the Reichstag was set afire by a young Dutch Communist, providing a very welcome confirmation to Hitler's claims that the Marxist parties were endangering the very existence of the state. The elections which followed, and which have proved to be the last in which any form of public opinion has been properly expressed, gave the National Socialist Party a large plurality, but not the two-thirds majority necessary to amend the constitution. Hitler, however, was ready for the situation. He called the body together and by intimidation succeeded in pushing through an issue known as the Enabling Act. By this Act the Government was vested with practically unlimited powers for a period of four years. The

¹Lichtenberger, H., The Third Reich, 1937, p. 55.

only restriction on this act was subsequently removed in a later law, and since that time Hitler has been in full authority. All that remained was to compose and issue the various laws which would effectively wipe out the opposition and alter the instruments of government, giving "der Fuehrer" satisfactory tools for accomplishing his aims.

The Economic Structure and Present Measures of Control.

The economic problem in Germany is one which has been ever-present with the National Socialists since they first came to power in 1933. The previous year had marked the culmination of the economic crisis which had prevailed in Germany and the entire world from 1929 on. Here, as elsewhere, there was increased unemployment, decreased volumes of trade, slackening of production, a constant decline in the index prices, crashes on the exchange, and financial difficulties of all sorts. It was at this time that Hitler chose to come to power, proposing to regiment industry and business and labor in a corporate structure.

The system which he has devised is extremely complex. There are innumerable instances of an overlapping of authority, of a contradiction of regulations and of clashes with Fascist principles. Added to this intricate corporate

set-up are an indeterminate number of special rules and regulations for specific industries, strict control over the instruments of credit, an arbitrary restriction of foreign trade which has amounted almost to government operation, and a host of other similar measures which makes the problem of coherently studying the control of business almost an impossibility. The best approach to the problem is, perhaps, through an examination of the Labor Front, which seems always to appear in some way or another, when one attempts to study the various corporate institutions now in operation.

The Labor Front. The Labor Front was one of the first institutions set up under the Hitler regime. Although one high German official has described it as being concerned not with "the material questions of daily labor, but with the high aim of educating all Germans in active labor life to the National Socialist State and the National Socialist doctrines,"¹ in practice it has become the key institution of the corporate structure of German industry. By it, Hitler proposed to eliminate class warfare, uniting all German labor into one huge union. On May 2, 1933, as the first step towards this goal, all existing trade unions were abolished in the country.

¹Brady, R. A., The Spirit and Structure of German Fascism, 1937, p. 122.

Their funds, buildings, and records were all placed in the hands of Dr. Robert Ley. On May 10, the Nazis held the first meeting of the organization which was designed to replace these independent unions--the Labor Front. As it exists today it is a product of this and subsequent laws which were adopted during the next year and a half. Membership is open to all German working people whether they are employers or workers.

Theoretically there is no compulsion to join the Labor Front, but actually membership is a necessary qualification for any position in Germany today. For this reason it is not surprising to learn that in 1937 it listed some 26,000,000 members on its rolls. In structure it closely follows the organization of the National Socialist Party. But the Labor Front is not supposed to be a government department. In practice, however, it cannot escape from the control of the State, for it officially ranks as a branch of the Party. Like the Party its organization is based on the principle of leadership, with the appointment of all officers by their respective superiors, and authority proceeding from above. Hence its actual leader becomes Hitler, with Dr. Ley operating in the capacity of an executive director. It is apparent that no closer coordination with the political machine could therefore be possible.

The central office of the Labor Front is divided into twelve departments to control the twelve divisions of German industry. Germany itself is divided into thirteen districts for the purposes of administration. Effective administration is left in the hands of three main offices; the Department of Matters, the Department of Persons, and the Administrative Offices. For all practical purposes the first of these offices is the important one, being concerned with such matters as education, wages, working conditions, new laws, self-government, and individual complaints, now widely known in the Reich as "offenses against the social honor of members on the Labor Front."

The Factory Council. In the individual plant a novel idea has been introduced. Under the new regime the conception of owner and worker is eliminated and for it is substituted the idea of a leader and followers. According to the Act of January, 1934, the owner of the plant is designated as the leader and he is to "promote the welfare of his followers, the employees. The latter shall be loyal to him as fellow members of the working community."¹ The leader is to make the decision in all matters that affect the establishment. The means of cooperation is

¹Marx, F. M., Government In the Third Reich, 1936, p. 136.

embodied in a factory council or "confidential council" over which the owner presides as chairman. Qualifications for members who may represent the employees are very rigid. The candidate must be a member of the Labor Front who has "given definite proofs of his unreserved devotion to the National Socialist State." The list of candidates is drawn up by the leader and is then submitted to the workers, who may accept or reject it. In case the list is refused, the workers' representatives are appointed by the Labor Trustee of the district.

The matters which these councils consider are many. Suggestions are made for improving the working conditions within the plant, and the preparation of other types of shop rules is common. As in Italy, strikes and lockouts are no longer tolerated in Germany. Instead any complaints come from men who know actual conditions, and although the chairmen-leaders have the final word in the council, the representatives of labor always have recourse to the Labor Trustees and Labor Courts. The employer is also obliged to produce his accounts in these councils, so the possibility of his making immense profits at the expense of the workers is precluded.

The Labor Trustee. Mention has been made above to the Labor Trustees. These officials are an innovation of the Nazi corporate set-up. There is one such official

for every district in Germany. They are appointed by and answerable to the Reich Minister of Labor. Assistance for them is provided by a board of experts composed of representatives of the workers and employers. The chief task of these trustees as defined by the Reich is the maintenance of industrial peace. To this end they are to judge such disputes as are brought to them by the factory councils or by representatives of either party in these councils. The Trustees also have jurisdiction in such matters as dismissal of workers and the adjustment of wage scales when extenuating circumstances make the existing rates unfair. It is also their duty to carry out the decisions of the courts of honor in their respective districts. In addition to this there are innumerable reports to be filled out and sent to the central office in Berlin.

It is apparent that with only thirteen Labor Trustees in the country, and with all the complaints which they must judge and all the information which they must file with the government, it would be impossible for one man to competently fulfill his office. To assist him, therefore, the Labor Trustee may appoint as many sub-trustees as he deems necessary.

Within the district of each of these Labor Trustees there are also elaborate provisions for round-table dis-

cussions between industries, and even between districts. It is the duty of the Trustee to further assist in these discussions. For the handling of large-scale quarrels and national disputes, provision has been made for the parties concerned to meet at the central offices of the Social Department of the Labor Front in Berlin. The entire system is designed to mediate differences by discussion and cooperation, and, that failing, by decisions of the Labor Trustees, from which judgments there is no appeal.

The Courts of Social Honor. Another innovation of the National Socialist regime is a peculiar institution to protect the "social honor" of the workers. These courts are composed of three members, one from the judiciary, and one each from labor and industry. There are thirteen of these courts--one for each district--and a Supreme Court of Social Honor at Berlin. They were created to raise the prestige and esteem of the working class, and may try anyone "who attempts to lower the dignity of labor."

"According to the Law every employer or worker 'shall conduct himself in such a manner as to show himself worthy of the respect due to him as a member of the common enterprise. In particular he shall devote all his powers to the service of the establishment and the common good, always bearing in mind his responsibility.'

A breach of these obligations makes the offender liable to an appearance before the court of honor. A specific instance mentioned in the Law, is in the case of the employer 'abusing his authority by maliciously exploiting labor or wounding the sense of honor of the workers.' In the case of the workers the Law refers particularly to 'frivolous and unjustifiable complaints to the labor trustee,' 'intentional and unjustifiable interference of shop council delegates with the work of the enterprise and malicious disturbance of the community spirit,' and, finally, 'disclosure by shop council delegates of professional and trade secrets and confidential information.' Penalties imposed by the courts of honor include warnings, reprimands, fines up to 10,000 marks, removal of the owner and dismissal of the employee."¹

The courts also have the right to determine what constitutes fair competition and where unfair competition begins. There have not been a great many cases where it has been deemed necessary to remove the owner from the operation of his business. In such cases where this has occurred, the authorities have provided a trustee to assume control of the concern.

This, then, is the system which the Labor Front in Germany comprises. It can be seen that it has not only brought a new deal for labor, but has also revolutionized control over business. Obviously this system depends for success upon a totalitarian set-up. Its fundamental prin-

¹Florinsky, M. T., Fascism and National Socialism, 1936, p. 140 ff.

ciple was the elimination of class differences in the interests of the state--before the interests of the individual. At the same time it was necessary to retain the principal of private property and individual initiative, in essence, if not in actuality. The hierarchal principles of Fascism were instituted by constructing an organization in which authority proceeded from the top. The system seems to have been accepted by labor; whether willingly or not is another question. For business it represents but one of the instruments of control. Before turning to an examination of the others, one or two legislative measures designed to control labor should be looked at first.

The first of these is an instrument known as a "labor passport." These passports were created by the Law of February 26, 1935. Their purpose was to assure a "more rational distribution of labor through Germany's economic system." Such passports contain a complete record of a worker's career. The intention was to make easier the mobilization of industry in case of military necessities.

The second law was passed early in 1935 and empowered the Minister of Labor to effect the dismissal of all workers in industry who were formerly employed in agriculture, where a shortage of satisfactory labor had occurred. The second was to create a shortage of labor in industrial

fields and hence provide work for some of the millions who were unemployed at the time. It is manifest that such a law precludes the selection of an occupation by the worker.

Although actually not within the scope of this discussion, we should not leave an examination of the Labor Front without a brief view of one of its most interesting organizations, the Strength Through Joy Department (Kraft durch Freude). Its purpose is to organize the leisure of the workers by providing them with opportunities for sports, recreations, travel, and cultural activities of an artistic, theatrical or musical nature. Especially in the matter of trips for the lower paid workers is this organization revolutionary. The idea is to get the worker away from his everyday surroundings. For very nominal prices he can take tours which range from simple week-end excursions into the country to trips abroad on steamers operated for that purpose.

In 1936, alone, 25,000,000 benefited from the use of the various facilities which the Kraft durch Freude offered. Despite the huge amount of machinery and personnel which this must have entailed, it is claimed that it is a self-supporting organization because hotel owners, transportation facilities, etc., are content to accept a smaller profit in return for an increase in the volume of

their business. The program of the organization also calls for construction of private hotels, steamers, restaurants, etc., to be owned and operated by the department.

Practical benefit is derived by the state and by the National Socialist Party through a vigorous propaganda campaign.

In addition to the Labor Front as a part of the corporate structure designed to effect state control over business, there are other institutions which have been constructed in Hitler's Germany and remain to be examined.

The first of the laws affecting these new organs of control was passed on February 27, 1934. At this time the Law for the Organic Reconstruction of German Business was passed. By it the Reich Minister of Economics received very wide plenary powers to regulate business. He was permitted to name any employers' association as the sole representative of that particular branch of industry, to make membership in such an association compulsory to all firms in that line of business, or to set up or merge any other trade associations as he saw fit. He was also granted the power to create the thirteen divisions of German industry. By this law all the trade associations that had existed in the past were coordinated under the

Ministry.

The next step in constructing the corporate system of German business was introduced by the decree of November 27, 1934. This decree brought about the complete reorganization of business and most of the provisions of the earlier law were set aside. The organization which was created by this law, and by a subsequent decree, is the structure which exists today. By this law the Reich Chamber of Economics was established. In all its ramifications it is an organization of very intricate detail and complexity. In essence it may be said to consist of two sets of employers' associations.

(1) The first of these is composed of the Reichsgruppen (industry, commerce, banks, insurance, public utilities, and handicrafts) which with their local organs, are professional associations of the respective branches of economic activity organized on the vertical principle.

(2) The second organization consists of commerce and industry, which are regional associations organized on the territorial or horizontal principle. These chambers of commerce and industry are united into a Federation which is in turn incorporated into the Reich Chamber of Economics.¹

Thus, by means of these vertical and horizontal

¹Florinsky, M. T., Fascism and National Socialism, 1936, p. 102 ff.

associations, the Reichsgruppen and the Federation of the Chambers of Commerce and Industry, business may be controlled in either of two manners. The conservative and long-established chambers of commerce have thus survived this reorganization and retained their identity. It had been expected that they would be eliminated and their retention was hailed with much satisfaction by the business interests.

The result of the creation of this Reich Chamber of Economics has been to give the Reich what is for all practical purposes unlimited power of control over the entire business structure of the country. Organized, as it is, upon the principle of authority from above, its president, as also the president of the Federation of Chambers of Commerce and Industry, is appointed by the Ministry of Economics. The president, in turn, appoints his subordinate officers.

There were two main purposes in the reorganization. First, the new Law was intended to increase the control of the state over business, and in this the plan was very successful. Second the Law was created with the purpose of altering the fundamental character of the former trade associations. The leaders in German business were now to give first attention to the furtherance of "national solidarity," rather than to professional and

trade interests. This is, of course, the usual Fascist tenet of state welfare before personal interests.

On March 26, 1935, at the Congress of the Labor Front, Dr. Schacht, who was Minister of Economics, announced that he and Dr. Ley had come to an important decision. It had been decided to unite the Labor Front and the Reich Chamber of Economics. It will be remembered that the employers had already been persuaded to join the Labor Front as a measure of expediency and cooperation with the new regime for German business. Thus, this later decision has made them members of the Labor Front in a double capacity. Other aspects of the union seem to be more important. By the establishment of this double organization the Chamber of Economics became the Economic Department of the Labor Front, which meant that no important economic measures could be taken by the Labor Front without the approval of the Chamber, which was subordinated to Dr. Schacht, then Minister of Economics.

A special Labor and Economic Board was also established to assist in coordinating the interests of the two organizations in questions of economic and social policy. It is composed of the higher officials of both associations, with the participation of the Minister of Economics. Throughout the industrial groups, at all

stages of the organization, collaboration was now begun through committees established upon the principle of parity between the leaders and their followers. The design of these committees is to take some of the burden off of the Labor Trustees, who were becoming overwhelmed by a vast number of petty cases, hardly important enough to bother the state. In this regard Dr. Ley expressed the attitude of the state when he said, "The true leader is one who can convince his subordinates that he is acting for the common welfare and does not need to hide behind the decision of some superior official. In the future the state will say to complaintants: 'Lock yourselves up in a room, discuss, argue if necessary, but find a compromise and do not lazily hand over to another the task of solving the difficulties which arise.'"

The union of the Labor Front and the Reich Chamber of Economics was hailed by the labor interests as a significant victory, and as a striking instance of the new cooperation which exists between the owner and the worker in Germany today. Other appraisals, however, take just the opposite view. The psychological effect, the skeptics will admit, was bound to be enormous. But beyond this, the idea seems to exist that all Dr. Schacht gave to the Labor Front was purely verbal satisfaction. The coopera-

tion between the committees of employers and employees was limited to the field of social policy. No attempt was made to similarly attain a cooperation in the attacking of industrial questions. The consensus of unofficial opinion therefore seems to be that the position of business was strengthened rather than weakened by the union of the two organizations: that business interests were safeguarded by the control which the Minister of Economics may now exert over the economic activities of the Labor Front. In the long run, however, if we can accept the doctrine of "primary national interests" at its face value, all that will eventually matter is the welfare of the Reich, and any control which one organization or the other may seem to possess will fade before the attitude of Hitler and the Party and the Nation.

From the moment that Dr. Ley dissolved the trade unions of Germany on the morning of May 1, 1933, there has been an ever-increasing control of business by the Reich. The corporate system in Germany, while it may not yet have achieved its fundamental purpose of an autonomous-planned economy, has been an instrument for ever-tightening grip which the State has obtained over the institutions of business. In the Labor Front, Dr. Ley was appointed by Hitler; officially the body is a branch of the National Socialist Party; employee member-

ship in the basic organization, the factory council, is subject to approval of higher authorities. The Labor Trustees have jurisdiction in full over the operations of industries and business in their respective regions; they are a supreme court of appeal in industrial relations and negotiations; officially they are answerable only to the Reich Minister of Labor, who has appointed them, and who has, in his turn, been selected by Hitler. The Courts of Honor have authority which extends even to the removal of an owner from the head of his business. The reorganization of the Chambers of Commerce and their subsequent union with the Labor Front has effectively provided for further regimentation of business in any manner which may be desired.

In this corporate structure, Hitler, as Mussolini did in Italy, constructed an instrument for the control of business that has no limit. Here again the fact of state intervention has become a continual relation rather than a policy of expediency. But the coordination of the activities of business and industry by Germany, in the form of the Corporate State, does not entirely complete the picture of the restrictive measures which have been placed on all fields of economic endeavor. Various industries and branches of industry are subject to special regulations applicable to their own particular activities.

That it would be impossible to cover all of these is immediately evident when it is known that one German authority places the number of these special ordinances at 700 to 1,000 each week.¹ He goes on to state that it is also impossible to carry out even the simplest cash transaction without some official interference. In another instance, a member of the Reich Government is cited as admitting that sixty per cent of the correspondence of a German manufacturer is now taken up with official communications which are necessary to secure materials, determine selling prices, or at times even whether he may sell.² An examination of the specific branches of business must, therefore, be very general in its coverage. At the outset it is apparent what the German business man is facing. In the fields where nationalization has not actually occurred, he is up against such an enormous amount of red tape that his very economic existence becomes a struggle against a bureaucracy which has had no precedent.

General Business. Since the advent of the Nazi administration in Germany there have been three or four

¹"Germanicus," Germany the Last Four Years, 1937, p. 27.

²Reimann, Gunther, "Doing Business in Germany," Harper's Magazine, March 1939, p. 373.

major problems which have been the motivating factors in the rigid control which Hitler has attempted to maintain over business. Nor is this fusion of the interests of the government and business anything accidental; it has been an integral part of the National Socialist program to achieve and maintain a strict direction of all the institutions of German business and of its economic policy. It is recognized on all sides--and to nobody is it plainer than to Hitler himself--that the Nazi state will survive or fall with the outcome of the economic dilemma which has been ever-present since the foundation of the current government.

In 1932, and in 1933, when Hitler came to power, there existed in Germany the same economic depression as in the rest of the world. There were the same problems of increased unemployment, the same nadir of production and other industrial activity, the same losses of foreign trade, the same contractions of credit--everything that is common to depressions was facing Hitler when he became Chancellor.

From the first the Nazi program has emphasized the necessity of building an invincible military machine. A short time after the inception of the Hitler regime all the military clauses of the Treaty of Versailles were repudiated. Germany was also withdrawn from the

League of Nations. These steps were for the sole purpose that the nation might be free to begin to rebuild the army and navy that had been hers before the great war. Hitler had promised this to the people and to accomplish it he has continually added to the might of the new German military creation.

In 1936 a new problem was introduced into the Nazi economic program. Within four years, Hitler announced, the nation was to attain complete self-sufficiency. To accomplish this, it might be necessary to regiment business more severely than ever, German science would have to develop new products, and undeveloped German resources would have to be exploited to their full capacity. It would entail, he admitted, further pressure upon business and industry, yet, every nation should be prepared to live on its own resources. "This," according to the members of the party, "is a categoric postulate from the economic as well as the political point of view."

These were the three major objectives of the Nazi economic program. To solve them it is evident that the leaders of the state would have to declare for rigid measures of control. Indeed the doctrines upon which the Party was founded would permit no other policy. Hence it is not strange to find that Hitler has continually tightened the strings upon industry and business.

In name, we may still find private property and the right of the individual to direct the instruments of production as he sees fit. In fact, we may only find the closest of state control, designed to further the aims of the nation at the sacrifice of all the economic principles which had formerly made industrial and business Germany a pattern for other countries to follow.

Under the new system there is bound to be political corruption and favoritism.

"The whole form of business, its accents, its risks, have been changed. Today the main thing is not so much to buy cheaply, gauge the right production, and sell well. The most important thing is to win and retain the favor of the local Party chieftains and the State bureaucrats who control your line of business, to secure State orders, State permits for raw materials or foreign currency, and State authorization of a selling price. . .

"In former days the purchasing agent and the sales manager were among the most important members of a business organization. Today the emphasis has shifted, and all-important now is a curious new business aide, a sort of combination 'go-between' and public relations counsel. This person not the least interesting outgrowth of the Nazi economic system, makes it his job to maintain good personal relations with the officials of the Economics Ministry in Berlin, to which city he is constantly traveling; he studies all the new regulations and decrees, knows how to interpret them in his firm's case, and can guess at what is allowed or forbidden, or, in other words, how far one can go without being caught.

"Any firm wishing to remain in business must have such a contact man. If possible he must

be endowed with a good personal acquaintance with some high official. If a firm cannot find a man with such qualifications they will have to content themselves with a man having contact with a lesser official, who can in his turn bespeak their interests with his superiors, and inform them of how the wind is blowing. Should a firm fail altogether to find a contact man and otherwise have bad luck in establishing good working relations with officialdom, purest 'Aryan' though they be, they are liable to be forced out of business."¹

Foreign Trade. There is no field of business endeavor in Germany today where this is more true than in the field of foreign trade. For ever since the beginning of the Nazi regime the government has been faced with the problem of a trade balance which has been continually more unfavorable. To combat this trade deficit it entered a policy of increasingly rigid control over imports and exports which finally culminated in 1934 in a so-called "New Plan" for imports. By this plan twenty-five boards were established, one for each of the major import items. Permits were necessary from these boards to obtain shipments of goods from foreign countries. The Reichsbank assumed full control over the supply of foreign exchange. Definite amounts were then doled out to the importing companies. The plan was designed to determine that ship-

¹Reimann, Gunther, "Doing Business in Germany," Harper's Magazine, March 1939, p. 373, ff.

ments of imports into the country never exceeded shipments of exports out of the country, and this restriction has been rigidly adhered to since that time. As the demand of the armaments industries for raw materials is of primary government concern, it is only natural that most of the import allowances have been to these industries. The result has been that in many cases it is almost impossible for other concerns, whose manufacturing depends upon securing raw materials from other nations, to survive. The boards have also exercised great influence in other ways. They have assumed the responsibility of meting out materials which have been brought into the country, they have favored businesses which export more than they import, they have managed the clientele of buyers of German products and foreign suppliers, and they have even intervened in the actual organization and methods of manufacture of the imported goods.

In the export field drastic steps have been taken to bring about an increase. Foremost among these measures is the Export Subsidy Plan introduced in 1935. By this plan, the Chamber of Economics was empowered to levy a two to five per cent assessment upon the annual turnover of businesses and associations. The proceeds thus acquired were to be used to promote exports. Under this plan an exporter must first prove that he actually has a

market for the goods under consideration and only at a price which will mean a loss to him. If he can sell at such very low prices, the German economists figure, he can compete with similar goods of a foreign make, and thus increase the sale of German products in foreign markets. If he can make the sale at these low prices, the subsidy board will grant him remuneration to make up for his loss on the sale. This subsidy sometimes amounts to as high as 40 percent of the selling price, and in extreme cases it has been known to extend to 80 per cent.

Another device which has been used to stimulate export trade was barter. This was the direct barter of pre-civilization days, or bilateral barter with other countries. The principle was the same in each case: German importers would buy goods from foreign dealers in large amounts. After a time, when these foreign countries began to ask for a settlement of an account, Germany countered that such payment was only permitted in goods. To further increase the vexation of the foreign concerns it was also established that certain goods should have embargoes, prohibiting their export from the country. Thus, if the other countries were to receive any payment it had to be in the goods which were stipulated by Germany. And frequently these products were items such as armaments or materials for public works.

Then if any further stocks were needed by the other nations they had to return to Germany to get the proper supplies.

Wholesale Trade. A peculiar feature of the rigid control of foreign trade was the effect which it had upon internal prices, and subsequently upon the wholesale and retail trade.

In order to maintain exports in the face of devalued currencies of other nations in the depression, it was necessary to keep the price of German exports from rising. This price, however, was inextricably related to domestic prices. Hence, it was necessary, as far as possible, to keep domestic prices stable. Simultaneously, the authorities decided that the prices of foods and agricultural products should be raised to provide aid to the peasant class. At the same time, then, the prices of other products must be watched very closely to prevent an increase. Thus government was lead to the delicate problem of trying to control prices on a national scale.

On the other side of the picture is the wholesaler who is trying to make a profit. The scarcity of many goods has strengthened the hands of the dealer who can get them. Yet he is harassed by innumerable restrictions. Foods, as the most vital field, have been priced to increase the profit to the agricultural classes, yet the selling price for the dealer has been limited to the

point where profit is almost at the vanishing point. To get around this difficulty, the wholesaler has resorted to "combination deals," in which he tries to force the retailer, in order to get a supply of the essential consumer goods, to also buy a supply of luxury products where he hopes to raise the price and make his profit. However, as we have stated, the government has been forced to manipulate and control the prices of these non-essentials very closely. Thus the wholesaler in Germany today is in a very precarious position, being prevented from making any profit upon food and other necessities, and trying to earn a living from non-essentials, which are also closely watched.

Retail Trade. But it is the retailer in Germany who is the most depressed business class today. The wholesaler has managed to bring about some sort of rise in his prices--at least enough to warrant his remaining in business. But when we look at the individual shop-owner, we see the man who must eventually take the squeeze between this rise in prices, with also a constantly elevating raw material cost level, and the rigidly controlled price at which he must sell to the actual consumer.

To add to his discomfiture the German government has also introduced the Russian system of the "closed mono-

poly shop."¹ Under this system each retailer is assigned a number of customers who have to buy from him and to whom he alone may sell. True, he is assured a steady turnover, since the amount of foodstuffs which he can sell to each customer is rationed. This system is not yet general, being largely confined to the food products, and to stores in the large cities. However, it is rapidly being enlarged and is regarded as the retail system of the future.

Department stores have always been a particular target for National Socialism, its adherents defending the small traders against these large stores and the chains. When it came to eliminating them, however, the Nazis found that they would have to proceed more slowly, for the large number of such stores would have provided a serious addition to the unemployment problem if they had been entirely liquidated. Measures have been taken to curb the growth of this type of outlet, nevertheless. An early law prohibited the opening of any new store of this type. Later laws made the opening of all retail shops subject to license, dependent upon the need for such a store and the standing of the applicant. Thus

¹"Germanicus," Germany the Last Four Years, 1937, p. 45.

undesirable elements were to be completely excluded from trade, since the requirements were made retroactive, thus applying to those stores already in operation as well as new establishments.

Industrial Enterprises. Industrial enterprises in general are in much the same straits as is trade. Only in the heavy industries engaged in armaments, steel products, automobiles and products needed for public works projects will a good measure of prosperity be found. The ordinary producer is bound by the same regimentation of industry as other fields of business endeavor. Chief among his worries, especially if he is dependent upon foreign supplies, is his raw material problem. He must now contend with such things as Emergency Certificates for raw materials, allowances for foreign currency, permits for an increase in his sale price if costs go up, and even interference with his manufacturing processes.

Everywhere he must be sure that he is in step with an infinite number of regulations and office decrees at Berlin. This has entailed a huge increase in his administrative costs, and he immediately runs afoul of the government on this angle because his production is so regulated that he is allowed only the smallest of margins for profit. Now he finds that the administrative needs have raised his costs prohibitively, and he must

contend with an enormous amount of red tape and bureaucratic interference if he succeeds in elevating his selling price.

To make matters worse, if he does succeed in making a profit, the government has need of it. Any profit over six per cent or in certain cases eight per cent, may not be paid out in dividends to the stockholders. Earnings above this amount must be turned over to the Gold Discount Bank which acts as a trustee for them, delivering government notes for them. At the end of three years, when this short term paper matures, the funds are then returned to the concern and are now available for dividend purposes. In addition to this regimentation of corporation funds, all corporations and businesses are levied under the Export Subsidy Plan which has been outlined above.

But this is not all that business has to face. The Law of July 15, 1933, in the first year of the Hitler regime, gave the Minister of Economics the power to prevent the extension of existing industrial plants, and by a later act to prevent new ones if he saw fit to do so. He also has the power to revise existing cartel agreements or combinations, and to insist upon new ones which seem propitious to him. Prohibitions are also extended to the working hours per week or to the amounts

of wages. Employers are forced to retain workers to aid the unemployment problem. At other times requirements are issued to scrap existing modern machinery. Contributions to all sorts of Party purposes are imposed.

Despite this increased bureaucracy one class of industry has prospered, as we have mentioned. Due to the enormous expenditures by the government, first in attempting to alleviate the unemployment problem, and later in pursuance of its rearmament program, the heavy industries have prospered. Certain other concerns, in an effort to maintain their existence, have taken up the manufacture of substitute materials necessary in the government's campaign for self-sufficiency, and have reached a measure of prosperity. Thus, such firms as the Thyssen and Krupp interests, and the great Steel Trust, have made complete recoveries from the low periods of the depression, have recovered from near bankruptcy, and even have had enough to spare to gain control of some of the larger banking interests of the country.

Utilities. In the utility fields we find quite another picture. Here firms have not been allowed to even retain their identity as private concerns, but in the majority of cases have been subject to outright nationalization. For example, in the railroad field in 1934 there were 36,277 miles of lines. Of these,

33,475 miles were state lines, composing the largest railway system in the world. Similarly, all other public communications in Germany--telephone, telegraph, postal service and radio--are owned by the Nazi government. A special Advertising Council, subject to the Minister of Propaganda, holds strict control over all radio and other types of advertising.

Banking and Finance. Strictly speaking, the banks of Germany, like other business concerns, are in the hands of private owners. But, even more thoroughly than other types of business, the banks are under the strong control of the Reich government. It is apparent that they would have to be in order to maintain Hitler's control over business in general and prices, and to assure the state of sufficient funds to carry out its public works and rearmament programs. Thus, they actually have no semblance of independence remaining, but are now merely the instruments of the Reich to procure credit that the government may finance its spending. The better to accomplish this, the presidents are required to watch over their depositors' investments to see that they are in line with the official policy. They are to finance no new enterprise, float no share issue, without permission from the authorities in the government. Their own funds, as we have pointed out, must be used to meet

state needs.

The first step in banking changes in the new Reich came with the Bank Reform Law of December 5, 1934. This law reaffirmed the decision of the state to retain a private banking system, but under very rigid control. By this law banks were prohibited from opening new credit institutions or branches without first obtaining a license. This license was issued not alone upon good financial standing, but also was dependent upon the moral and business qualifications of the applicant. The law provided for a supervisory board which was given very wide powers. The Board consists of the President of the Reichsbank, nominated by Hitler, a representative of the Chancellor, and several high government officials. In operation, the chief function of the board is to keep the policies of banking in line with the desires of the government. How well this was accomplished is evidenced by the success achieved by Dr. Schacht, until recently President of the Reichsbank and of this Board of Bank Supervision.

CONCLUSIONS

It is very difficult to attempt an appraisal of the Fascist economic state as it is portrayed by the corporate systems of Italy and Germany. A host of formidable major problems of a business and industrial nature still confront each of these nations. How these will be met nobody, not even the leaders of the states themselves, knows. They have been following a path achieved by the process of trial and error, and dictated by policies which have been conflicting on many fronts and often altered by mitigating economic considerations. Consequently, many of their plans are still for the future. The Fascist Corporate State, as they hope eventually to develop it, is still a product of the future.

It is not within the province of this discussion to forecast what form the Fascist state of the future will take. Lack of accurate positive information about many of the major points of the present system and want of technical competence to interpret this information if it were available, would cause most students of the problem, let alone the writer, to avoid such predictions. There are, nevertheless, some definite conclusions and trends which are already in evidence.

In the first place, there is no doubt about the con-

trol of business, nor about the extent to which it exists, in the Fascist state. Both Italy and Germany have constructed instruments, however faulty and subject to change they may be, which have permitted any measure of control which the government may desire. And the political forces have not hesitated to use these constructions. Industry, commerce, banking, and other fields of business endeavor in both nations now exist under a regime of directed economy. The economic structure and the political organization function reciprocally, and are not supposed to do otherwise; without exaggeration it may be said that everything in the field of business under Fascism is also political. And the action of the state is assuming an ever-increasing importance in the business realm. It is the state which has decreed corporate organization of peasants and industrial workers. It is the state which has been led to control foreign exchange, foreign trade, banking, industrial production, and even, finally, the most insignificant cash transactions which occur in the independent retailers' little shops. It is the state, too, which has regimented the earning of business concerns to its own uses. Everywhere the state is in evidence to coordinate private initiative and private means of production to its own designs.¹

¹Lichtenberger, H., The Third Reich, 1937, p. 259.

On all these points, it is clear, state action and action by the bureaucratic system which it has instituted have replaced the action of individual entrepreneurs, as we know it in a democratic country--and as it was formerly known in Germany and Italy. And still the Fascist leaders admit their abhorrence of a bureaucratic regime, and claim to recognize its attendant evils and wish to avoid it.

"Dr. Schacht himself has said: 'The new plan is a terrible thing because it necessarily presupposes an increase in bureaucracy and organization. . . . We are all agreed on one thing, namely that the standard of our people cannot be maintained by means of the bureaucratization of our entire economic life.' The disadvantages of bureaucratic action are well-known. They are schematicism and lack of elasticity. When individual initiative finds itself replaced by the decision of an omnipotent authority, the dangers of serious mistakes which might affect the entire economic structure of the nation will be found to have considerably increased. In principle, therefore, the Nazis maintain private initiative and free competition between business enterprises. In practice, however, they greatly reduce this initiative, and they entrust the task of enormous and perhaps overwhelming direction to a small number of leaders and a huge bureaucracy."¹

The same situation prevailed in Italy. Florinsky relates a discussion with an Italian exporter, who was a member

¹Lichtenberger, H., The Third Reich, 1937, p. 259.

of the Fascist Party. This man described the tortuous bureaucratic methods and the interminable complications which he was up against, and added: "Now on top of all these are to come the corporations," which, from a member of the Party, did not auger well for the spirit of the business.¹

One of the cardinal tenets of Fascist philosophy states that class warfare and differences must be overcome, that they are not permissible in conjunction with the superior interests of the nation. It has been one of the boasts of the Fascist countries that they have accomplished this, and that strikes and lock-outs are no longer a part of their economic systems. This much seems to be a fact. Records show very few evidences of violent differences between the interests of the workers and the interests of the employers in Germany and Italy under the present regimes. Despite this, there is a general acceptance among most observers that this elimination of class warfare has been primarily at the expense of the workers. That, although the situation of the capital interests is dire enough, whatever weights are in the balance have thrown the scales in the favor of capitalists.

¹Florinsky, M. T., Fascism and National Socialism, 1936, p. 116.

Haider claims that this was inevitable. She points first to the cleavage between Fascist and Socialist principles, which require that individual ownership be retained in economic fields on the one hand, and ownership by the people on the other. In addition, she goes on to say, the working class has had none of the experience and contains none of the educated geniuses which the dictators have to retain in control in order to prevent a cataclysmic disintegration of the business structure.¹ Therefore, Hitler and Mussolini have no choice but to favor the capitalistic classes, although their doctrine demands the support of the peasant and working people. Thus capitalism still holds whatever upper hand may exist in the Fascist state. Other writers will go even further, claiming that the cooperation which exists between the employers and employees is limited primarily to questions of social policy. That in the problems of wage determinations, working conditions, etc., control is still fundamentally in the hands of the capitalists. They say that the main purpose of the consultative agencies which have been established is to create a rational bond between the political powers and the

¹Haider, Carmen, Do We Want Fascism?, 1934, p. 35

financial powers, corporatism thus becoming a dictatorial regime in the interests of the capitalists.

It is also one of the claims of the Fascist governments in both Italy and Germany that they have restored prosperity to their people. Authorities seem to agree, however, that this prosperity is more on the surface than it would appear at first. For both nations have followed the same general plans in reducing unemployment and in speeding up production. Public works and armament programs have been the fundamental basis of government action in both countries. The result has been that the measure of prosperity which they have reached is dependent largely on government orders, and is confined almost entirely to the heavy good industries. In proof of this contention of the instability of the prosperity, the critics point to a lowered standard of living and lowered wages in both countries. Other factors such as increased taxes, a continued falling off of foreign trade and especially an increasing shortage in consumer goods are also advanced to further this contention. Finally, government spending has increased enormously at home, and the commercial debts abroad are growing no smaller.

What then, we may ask, will be the final result of the control of business in these Fascist states? That

is the question which everybody asks--and nobody can answer. And it is still the question of paramount importance facing Hitler and Mussolini. Despite recent international developments which have stressed the military and colonial aspects of the dictator regimes, the economic problems are still their first consideration. The Fascist countries will stand or fall with the outcome of their attempts to win out on the economic battle-front. But their leaders cannot say that they have not the means of complete control over the economic structure in their efforts to win this victory. And having supreme authority in national planning--however full of faulty the corporate system may be--they must use it. Whether they will be successful is still the unanswered question. The future alone can tell.

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